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# FINANCIAL TIMES

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## NEWS SUMMARY

### GENERAL

#### Smith delays majority rule

Rhodesia last night postponed until April the country's transition to black majority rule, due to have taken place by December 31.

The four-month delay in the transitional programme, drawn up last March, was accepted as inevitable by black nationalist leaders. Bishop Abel Muzorewa and the Rev. Ndabaningi Sithole, chief opponents to such a postponement.

The move came after nine-hour talks involving the executive and ministerial councils. A Government statement said that one-man, one-vote elections would be held on April 20.

**Thorpe plea**

Lawyers for former Liberal leader Jeremy Thorpe, facing charges of conspiracy and incitement to murder, failed to win a high court order to challenge the immunity from prosecution given by the DPP to Crown witness Peter Bessell. But QC for the DPP Peter Taylor said that immunity did not protect Mr. Bessell from any perjury charges which might arise out of the case.

**TV soccer deal**

London Weekend Television have negotiated exclusive rights for coverage of Football League Cup matches from the start of the 1979/80 season. Back Page.

**Damages order**

Scottish Daily Record and Sunday Mail of Glasgow have to pay £202,000 damages to Capital Life Assurance Company of Edinburgh for libelous articles, an Edinburgh court ruled.

**Fireman killed**

A fireman decorated by the Queen this year was killed in a terrorist firebomb attack on the Bass brewery in Belfast.

**'Doc' suspended**

Soccer manager Tommy Docherty was suspended by his club, Derby County, for seven days while his future with the club is decided. The suspension followed a Board meeting at which his abortive High Court action was discussed.

**Guilty verdict**

Journalist Duncan Campbell was found guilty in the Old Bailey of libel against a former Army intelligence officer, Major Barry A. Jackson, on Time Out magazine.

**Airliner crashes**

An Icelandic Airways DC-8 air liner packed with Moslem pilgrims crashed while trying to land at Colombo airport during a storm, killing at least 199 of the 282 passengers and crew.

**Briefly...**

Theresa used a wheelbarrow to carry away a safe she stole from Derby Post Office, Suffolk.

A postal hitch prevented actor Albert Finney and his French actress wife Anouk Aimée from getting divorced in a London court. Mrs. Aimée's letter of consent had not arrived.

Australia is to stop using the Queen's portrait on its postage stamps.

Seated band leader Lou Praeger was killed in his Majorca home.

About 200,000 workers in Social Security offices and textile factories in Portugal went on strike over higher wages.

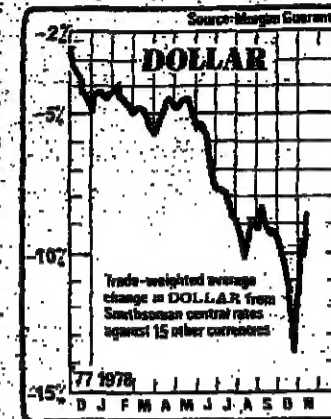
Healthy baby was born in Austria after growing to full size in her mother's fallopian tube.

Miss World 1978 is Miss Argentina.

### BUSINESS

#### Dollar stronger; Gold falls \$7½

DOLLAR rose in late London trading helped by OPEC reports on the major economies and U.S. official statements. Page 2.



DM 1.8955, and to SwFr 1.6515 (SwFr 1.6395). The dollar also rose sharply against the Japanese yen after news of Japan's lower trade surplus, ending at ¥194.1 (¥189.8). Its trade-weighted depreciation narrowed to 8.7 per cent (9.3).

GOLD fell \$7½ to \$196 in London, due to the strength of the dollar and proposed increase in U.S. official gold sales. In New York the Comex November settlement price was 30 points up at \$198.80.

EQUITIES were marked down on Treasury views of UK economic prospects and the FT ordinary index fell 4.8 to 471.8. Golds responded to the fall in bullion price and the Gold Mining index fell 3.3 to 120.2.

GILTS improved with Irish investment drawn to Bortis. The Government Securities Index closed 0.4 down at 58.27.

WALL STREET closed 8.58 up at 794.18 on bargain hunting.

UK MONEY supply growth in October fell below the Government's target range of 5-12 per cent in the first half of 1978. But Bank of England figures show a substantial underlying upward trend in credit growth last month. Back Page.

CHANCELLOR of the Exchequer has said that the reason for the expected fall-off in economic growth next year is because manufacturing industry will be unable to stand up sufficiently to competition in home or export markets. Page 6.

JAPAN registered a balance of payments deficit in October for the first time since November 1975. Trade surplus fell from \$1.872bn in September to \$1.070bn and a current account surplus of \$315m in October became a \$1.404bn loss. Back Page.

EUROPEAN Monetary System Green Paper will probably be published next week, a week before formal Cabinet decision on whether Britain should join.

GMWU shop stewards representing a third of Britain's 90,000 power workers, are seeking a rise "very much in excess" of the 5 per cent guideline. The miners are to table formally with the NCB next week their 40 per cent claim. The Union of Post Office Workers has drawn up a 24.4 per cent claim and a demand for a three-hour cut in working hours. Page 14.

BRITISH OXYGEN made an improved pay offer to its 3,000 drivers and cylinder handlers who have already rejected 81.9 per cent.

COMPANIES

BOOTS reports pre-tax profit for the six months to September 37.1 per cent up at £51m. Page 29.

ULTRAMAR pre-tax profits for the nine months to September 30 rose £11.3m to £26.7m. Page 31.

## British Shipbuilders tells unions of plan to cut 12,300 jobs

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

British Shipbuilders has told its trade unions that it wants to cut the industry's capacity by 32 per cent by 1980-81, with the loss of 12,300 jobs.

Official confirmation of this and of details of a breakthrough in talks on a common date for annual pay negotiations, came yesterday at a special delegates' meeting of the Confederation of Shipbuilding and Engineering Unions in Newcastle.

The pay proposals would involve some men forgoing any rise in basic rates for more than two years. An additional problem for British Shipbuilders is that pay awards this year have already added 2.8 per cent to its wage bill, leaving only 2.2 per cent available within the Government's five per cent guideline.

The plan to cut capacity would involve increasing the annual rate of the Government's shipbuilding intervention fund used to subsidise orders, from £85m to £110m.

Mr. John Chalmers, chairman of the confederation's shipbuilding committee, said he was doubtful whether the proposals could form the basis of an agreement.

If the plan was to have any chance of success the Government would have to meet the full social costs of the change—and that meant keeping redundant men on full pay until they found work.

Delegates were told that British Shipbuilders had considered four basic options for its first corporate plan. Apart from the favoured option these were: retaining merchant shipbuilding at its present size with 33,000 employees, which would require an intervention fund of £300m a year; and two possibilities involving 20,000 and 25,000 redundancies, which would effectively mean a total shutdown of merchant shipbuilding.

The favoured option involved reducing capacity from 632,000 compensated gross registered tonnes this year to 430,000 cgrt in 1980-81, increasing to 530,000 cgrt in 1982-83. This would require an annual intervention fund of £110m in 1979-1981, £85m in 1981-82 and £50m in 1982-83.

The pay formula put to the meeting yesterday, which has been agreed by British Shipbuilders, the Government and the confederation's shipbuilding committee, was described by one member of the committee as a revolutionary proposal more advanced than in any other nationalised industry.

It would establish a common annual pay agreement date of January 1 beginning next year, including one for the 198 separate negotiations which have taken place in the last year.

Some men, however, would have to forfeit any increase in basic rate—productivity schemes are exempt—for two and a quarter years.

The formula sets minimum earnings levels for a 40-hour week for all manual workers offering £50 for skilled men, £70 for semi-skilled and £82 for unskilled.

The total cost of the package has not been assessed as a percentage increase on the wage bill, but will certainly be well below the 5 per cent limit. The 12-month rule on the cap between settlements, however, would be broken for two-thirds of the workforce.

The confederation leadership is recommending the deal on the grounds that shipbuilding workers did well last year with an average of 15 per cent and that the industry simply cannot afford to pay more.

Earlier this week British Shipbuilders reported a loss for its first nine months of £163m.

The date for Swan Hunter's capital reconstruction scheme—under which shipbuilders will share the £15m Government compensation for nationalising the company's shipyard at Newcastle—will be known within the next few days. Page 25.

Editorial comment, Page 18.

World Trade News, Page 5.

Lex, Back Page.

Lex, Back Page.

Lex, Back Page.

Lex, Back Page.

## Times union rejects talks

By Philip Bassett, Labour Staff

SUSPENSION of publication of The Times, its three supplements and the Sunday Times from November 30 became virtually certain yesterday when the National Graphical Association confirmed its refusal to negotiate until the threat of suspension was lifted.

It decided not to attend a meeting of printing union general secretaries called by Times Newspapers for Tuesday.

The union, which has 108,000 members, also withdrew from a meeting to have been held with the company today on the introduction of new technology. Its national council heard yesterday that Times Newspapers' proposals involved the loss of half the jobs held in the company by its members.

The union wrote to Mr. Duke Hussey, chief executive of the company, informing him of the national council's decision. The company says it will suspend publication at the end of the month unless all unions' branches agree on efficient and continuous production.

The letter from Mr. Joe Wade, the union's general secretary, said: "Until such time as you withdraw the threat to suspend publication of all your newspapers and to remove the deadline for completion of negotiations, we would not agree to negotiations taking place between the NGA and the company at any level."

So far as the NGA is concerned, there could be no question of reaching agreement on any aspect of your proposals without proper consultation and agreement with our London office and chapel office branches.

Your suggestion of a meeting with the general secretaries appears to be an attempt on the part of the company to reach agreements and understandings with the general secretaries without the involvement of the branches and chapels."

The union withdrew from today's proposed talks on new technology because, it said, the company remained determined to commit the union to the principle and practice of a total hand-over to computer by November 30.

Mr. Wade said last night that the company was seeking an agreement based on direct input by journalists and advertising staff that would ultimately more than halve the jobs for his members at the company.

Journalists at the Press Association, Britain's national news agency, are to call lightning strikes from Monday over a pay dispute.

The National Union of Journalists said after a two-hour meeting that it would also impose sanctions on work-

## Top insurance brokers plan link-up

BY JOHN MOORE

THREE OF the world's largest insurance brokers are planning to regroup. They are Alexander and Alexander Services of the U.S., Sedgwick Forbes and Bland Payne, both based in the UK.

Sedgwick Forbes plans to merge with Bland Payne. Once established, the new group will coordinate its business with Alexander and Alexander, the second largest insurance broker in the U.S. The two groups could then be pooling broking incomes of around \$500m, and produce total combined pre-tax profits of around \$140m.

The move will make the new grouping similar in size to the planned tie-up of Marsh and McLennan Companies of the U.S. with C. T. Browne one of the two biggest in the UK.

Sedgwick Forbes shares were suspended on the London stock exchange yesterday at 410p, which values the group at £125m. Discussions have been taking place between Bland Payne and Sedgwick Forbes since the summer. Another dimension is added to the plans because although Bland Payne is a wholly-owned subsidiary of Midland Bank, Marsh and McLennan Companies, the largest U.S. insurance broker, has a 20 per cent minority shareholding in Bland Payne.

Discussions on terms will take place between the two groups. The Midland Bank is to acquire the Marsh minority stake.

John Wyles reports from New York: No official of Alexander and Alexander was available for comment on the announcement, but New York brokers believed the merger would encourage the development of a more international, but more concentrated world insurance brokerage industry.

Alexander and Alexander is second in the U.S. only to Marsh and McLennan in its annual revenue which are expected to be \$255m this year, rising to more than \$350m in 1979 through the acquisition, to be completed in January, of a smaller brokerage firm, R. B. Jones.

Alexander and Alexander's growth has been aggressive in the past five years thanks to an active acquisition policy and also impressive success in attracting new business.

Its relative lack of presence internationally is held to be partly responsible for its relative weakness in reinsurance brokerage and the link with Sedgwick Forbes should clearly prove a remedy.

Lex, Back Page.

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## British-China trade will treble over seven years

BY COLINA MCDUGALL

TRADE BETWEEN Britain and China is to be significantly increased to a total of \$8-10bn between now and 1985. Arms sales are also to be considered.

This was agreed between Wang Chen, the Chinese vice premier, and Mr. James Callaghan at a meeting at 10 Downing Street yesterday.

The high-powered Chinese delegation is, however, going back to Peking disappointed that it did not secure a contract for the purchase of Britain's vertical take-off Hawker Harrier jet fighter during its visit. Mr. Callaghan insisted that NATO allies had to be consulted over such a sale.

Officials on both sides were anxious last night to play down reports that negotiations between the two sides had been strained because the Chinese felt they had not been accorded reception appropriate to the vice premier's rank.

Mr. Wang yesterday unexpectedly cancelled a Press conference in what may well have been a sign of his disappointment at the way in which the negotiations had turned out. Mr. Wang clearly hoped on his arrival to sign several contracts including one for the Harriers during his visit here.

Mr. Callaghan, who in an attempt to mollify the Chinese moved his talks with the vice premier from the House of Commons to Downing Street, stressed that Britain wanted a balanced relationship with China and not simply that of an arms supplier. Clearly the talks have been very tough.

One element in Britain's reluctance on the arms side would have been a desire not to impair its relationship with the Soviet Union, which has sought to prevent arms sales to China.

Despite the awkwardness that has accompanied the negotiations, Britain has clearly secured an economic agreement of some magnitude. Trade by 1985 between the two countries should be three to four times its present level. A draft agreement has already been drawn up, and is to be signed as soon as possible.

The draft contains no undertaking that trade should balance, and it seems likely that British exports will outweigh imports. It is expected, however, that there should be sufficient finance and export credit available to support the proposed level of trade, and more.

More than a dozen areas of trade are covered in the proposed draft, which includes power generation, mining, metallurgy, steel, agricultural machinery, ships, ports, airports, railways and offshore oil.

It seems likely that the agreement can be seen as an implied undertaking to provide at least the military aircraft that the Chinese have been anxious to buy. Mr. Callaghan stressed in his meeting with Mr. Wang that the relationship between Britain and China was to be an all-round one which would cover a number of fields but would also include defence.

World Trade News, Page 5.

Lex, Back Page.

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### Offices available at a glance

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# Millions strike as Italy faces renewed crisis

BY PAUL BETTS

ROME, Nov. 16.

CRACKS IN Italy's fragile governing coalition between the Communists and the ruling Christian Democrats appear to be deepening.

As some 31m workers went on a token four-hour strike today in the Mezzogiorno, underlining the level of social discontent in the country, the row over an imminent Cabinet reshuffle and a proposed law to eliminate Italy's archaic system of tithing farming are coming to a head.

The controversy over the government reshuffle centres on the apparent refusal of Sig. Carlo Donat Cattin, the retiring Industry Minister, to accept the Candidate to replace him proposed by Sig. Giulio Andreotti, the Prime Minister.

Sig. Donat Cattin was recently appointed deputy secretary general of the Christian Democratic Party, and according to an unwritten Italian law, a leading Party official cannot hold a ministerial portfolio.

Sig. Donat Cattin, however, has claimed the right to select his own successor. He was therefore intensely irritated when Sig. Andreotti, who as Prime Minister effectively enjoys the constitutional right to choose the members of his Cabinet, suggested appointing Sig. Romano Prodi, a respected economist and Christian Democrat sympathiser although not actually a member.

This appointment, Sig. Donat Cattin claimed, would upset the current balance within the Cabinet of the various factions of the Christian Democratic Party and he has been insisting on the nomination of a candidate from his own faction, the so-called New Forces.

At the same time, Sig. Donat Cattin, who is by no means one of Sig. Andreotti's supporters, is reported to have accused the Prime Minister of being too open towards the Communists.

For their part, the Com-

munist, who have not taken kindly to the recent shift of Sig. Donat Cattin from the Left to the Right of centre of the Christian Democratic Party, are now openly attacking the retiring Industry Minister, himself one of the greatest critics in an unusually blunt front page headline, the Communist Party newspaper, *L'Unita*, declared: "This man must go."

In turn, Sig. Benigno Zaccagnini, the Christian Democrats' reformist secretary general, also took exception to Sig. Donat Cattin suggesting that the Government was being too soft to the Communist Party.

This latest political row within the ruling Party, which Sig. Andreotti will have to tackle on his return from a visit to four Arab capitals, is only the latest sign of increasing political irritation over Italy's present governing formula.

The debate on the proposed law to abolish tithing farming, already approved by the Senate but blocked in the Chamber of Deputies with more than 1,000 amendments tabled, is also putting pressure on Sig. Andreotti's minority Government, as is the so-called sceptical attitude of the trade unions to the Government's policy for wage restraints. The strike in the Mezzogiorno today was another reminder of the difficulties the Government is likely to encounter in its attempts to introduce an increasing number of political disagreements and squabbles not only between the various political forces but inside the individual parties, the trade unions and the Cabinet itself, could well unbalance Italy's delicate political equilibrium.

# Slower growth forecast for the West

BY ROBERT MAUTHNER

THE SECRETARIAT of the Organisation for Economic Co-operation and Development today forecast a slowing of the Western world's growth in 1979, offset by an improvement in the area's overall current balance of payments and a further drop in inflation.

The forecasts, contained in a paper submitted to the OECD's economic policy committee, were accompanied by a suggestion that it might be desirable for the weaker economies, in addition to West Germany and Japan, to adopt some expansionary measures in the second half of next year.

The secretariat, which is forecasting a fall in the area's growth rate from 3.8 per cent in 1978 to 3.3 per cent next year, is understood to be under the impression that the expansion of the stronger economies in 1979 might not be sufficient to make up for the effect of deflationary policies in other major member countries such as the U.S., the U.K., France

and Italy. The situation likely in the second half of next year, when the slowing of growth is expected to become more rapid, is considered particularly disquieting.

Even the secretariat's less than optimistic figures are felt by some delegations to paint too bright a picture. It forecasts that U.S. GDP, after growing by 3.8 per cent this year, will increase by no more than 2.8 per cent in 1979, slightly less than the official prediction of the U.S. Administration, but considerably more than the 2 per cent rise forecast by private U.S. forecasting institutes.

West Germany's GDP is expected to increase by 3.9 per cent in 1979 after rising by 2.9 per cent this year, but growth in Japan, another of the "strong" economies, is expected to slow down to 4.5 per cent in 1979 from 5.8 per cent this year.

The concerted strategy for economic growth, which was adopted at last July's Western

	GDP growth in real terms (%)		Current account balances (\$bn)		Consumer price index (% rise)	
	1978	1979	1978	1979	1978	1979
United States	3.8	2.8	-19.5	-12	6.9	7.5
Japan	5.8	4.6	20.5	12	3.9	4.1
West Germany	2.9	3.9	6.75	3.25	2.7	2.8
France	3.0	3.5	2.25	3.25	9.5	9.3
U.K.	3.0	2.5	0	3.0	8.0	7.5
Canada	3.5	4.1	-4.0	-4.0	8.0	7.2
Italy	2.0	3.5	5.5	6.0	12.9	10.7
Netherlands	—	—	-2.0	-2.0	—	—
Belgium-Lux	—	—	0	0	—	—
Switzerland	—	—	4.5	5.0	—	—
All OECD	3.3	—	-1.25	-0.5	8.0	6.5

economic summit, is therefore at a crossroads. Many officials feel that, given the expansionary measures which have already been adopted by West Germany and Japan this year, it would be unrealistic to demand an even greater effort from these countries over the next few months.

PARIS, Nov. 16.

trend, particularly on the payments front, is in the right direction. The OECD area's overall current deficit is expected to fall to only \$500m in 1979 from \$1,250m this year, while the U.S. deficit is expected to be reduced to \$12bn next year from \$19.5bn in 1978, according to the secretariat. This will be accompanied by a substantial decline next year in the current surpluses of the two leading strong economies, West Germany and Japan, from \$8,750m to \$2,250m in the first case and from \$20bn to \$12bn in the second. Most of the "conventional" countries will be in surplus, but Japan, the U.K., France and Italy, which shows, still remains intractable in most countries, although the average OECD rate is expected to fall to 6.5 per cent next year from 8.0 per cent in 1978.

The timing of any refractionary effort by the weaker economies, such as the U.K., France and Italy, remains a particularly difficult matter to decide.

At the same time, the OECD secretariat would be contradicting itself if it were to propose that the so-called "conventional" countries should reflete before their payments balances and rates of inflation were fully under control.

Officials point out, that the

## French 'no' on Europe Parliament

By David White

PARIS, Nov. 16.

FOLLOWING THE Gaullist RPR Party's strong campaign to limit the powers of the European Parliament, the French Government has ruled out any change in the assembly's powers after the first direct elections are held next June.

The Foreign Ministry statement came in response to a recent declaration by Herr Helmut Schmidt, the West German Chancellor, who said the elected Parliament would not be content with its present powers.

The French statement reaffirmed that the powers of the parliament were fixed by treaty. "These can only be modified by a unanimous agreement of member states," it said, "and subsequently ratified by national parliaments." It said: "No extension of powers" can therefore be decided upon if the French Government and the French parliament are opposed to it.

Questioned after a Cabinet meeting yesterday, M. Louis de Guiringaud, the Foreign Minister, said there was no question of France participating in a move to change the treaty terms.

A special meeting of the RPR here last Sunday called on European heads of Government at their Brussels summit on December 4 and 5 to make clear that the European parliament would not gain extra powers after June.

The Government's statement failed to satisfy either the Gaullists or the other main opponents of a powerful assembly, the Communist-dominated Federation of Metal Workers Unions. It is the second strike by metalworkers in less than a month. They are demanding a 20 per cent wage increase, the maximum allowed under the Government-imposed ceiling. Employers are offering 11 per cent, claiming that labour and production costs are already too high.

## Gunmen murder former Chief Justice in Madrid

BY ROBERT GRAHAM

MADRID, Nov. 16.

TWO UNIDENTIFIED gunmen saying that his father had been threatened several times by terrorist organisations and his assassination was not unexpected.

Police said that two gunmen shot Sr. Mateu at his home in central Madrid early this morning. The youths then threw grenades down the street to cover their escape, but these did not explode. Immediately after the attack, road blocks were set up on the outskirts of the capital.

When the two army officers were killed in July, police at first said that the killings were the work of the revolutionary group GRAPO (First of October group), but later alleged members of ETA were killed in a separatist organisation, ETA, subsequently claimed responsibility, and this claim was accepted by most observers.

So far this year, ETA has claimed responsibility for more than 40 of the politically motivated killings in Spain. The authorities here have been making preparations against an upsurge of terrorism as the referendum campaign gets under way. They feel that extremist groups, and in particular ETA, have a vested interest in causing the maximum disturbance to what will be Spain's last formal act in embracing democracy—by voting "yes" for the constitution in the referendum.

As of last week, the Government has approved a new offensive policy by the security forces in the Basque country. Extra police have been drafted into the area and a much tougher system of controls established.

Last night, two alleged members of ETA were killed in a shoot-out with security forces in the Basque town of Mondragon. This followed a police chase after gunmen had fired on the headquarters of the Guardia Civil there. Police cornered the two in a square and then opened fire on the occupants. A woman bystander was also killed.

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## Holland's abortion Bill agreed

By Charles Batchelor

AMSTERDAM, Nov. 16.

AGREEMENT HAS BEEN reached within the Dutch cabinet on a Bill to liberalise abortion, an issue which has divided opinion for the past 10 years.

The major points of the new proposals are:

● The woman and her doctor decide jointly whether an abortion should be carried out, although the woman can turn to another doctor should the first refuse.

● Illegal abortion by an unqualified person or in an unregistered clinic or hospital, will remain in the penal code, but no abortion can be carried out after the 20th week of pregnancy.

● Abortions may be performed in a clinic up to three months but after this time the operation must take place in a hospital. The draft Bill was introduced by the Liberal (VVD) Minister of Health, Dr. Leendert Gijzen, and the Christian Democratic Minister of Justice, Dr. Jacob de Wit.

It will be sent to the Council of State for its reaction and will then be presented to Parliament.

In a first reaction from the parties, Liberal MPs appeared to welcome the draft Bill, but some Christian Democrats, particularly members of the Catholic party, are expected to oppose it.

A liberalisation of Holland's abortion laws has been under discussion for the past decade. A private member's motion sponsored by Labour and Liberal party MPs under the previous Government was approved by the lower house but rejected in the upper chamber of Parliament.

Disagreement on attitudes towards abortion was one of the reasons for the breakdown of coalition talks between the Labour Party and the Christian Democrats last year.

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## Greenland to be given home rule

THE Danish Parliament will today give final approval to a group of 13 Bills giving Greenland home rule status within the Kingdom of Denmark, writes Charles Batchelor in Copenhagen.

The legislation will be followed by a referendum in Greenland in January, when it is expected that the Greenlanders will accept the home rule offer. Although foreign and defence policy will remain under Danish control, the Copenhagen government has said that, should a majority of the Greenlanders wish to withdraw from the EEC, Denmark will respect their wish.

In that case, the Greenlanders would follow the Faroe Islands, which have enjoyed home rule without belonging to the EEC in the 1972 referendum in Denmark on joining the EEC, as an overwhelming majority of Greenlanders voted against membership.

Denmark's third-quarter deficit was Dkr 1,450m, compared with Dkr 2,420m in the same quarter last year, the Bureau of Statistics has reported. The Government is aiming for a similar deficit in 1979, of about Dkr 1,500m, compared with last year's Dkr 1,000m.

## Liechtenstein joins Council of Europe

Liechtenstein will join the 20-nation Council of Europe after this month and sign the European Convention on Human Rights, the principality's Parliament has decided. Reuter reports from Vaduz. Bounded by Austria and Switzerland, Liechtenstein has a population of 25,000 and an area of 80 square miles.

Mr. Mengistu Haile Mariam, the Ethiopian leader, arrived in Moscow to a full-scale state welcome for talks with which are expected to take up the fighting in Eritrea and the Ethiopian desire for further Soviet economic and technical assistance. David Sater writes from Moscow.

## Media accord nearer

The U.S. and other Western delegations to UNESCO said last night they were nearing agreement with the Soviet Union on a watered-down version of a controversial draft declaration on the mass media. AP reports from Paris.

Two Soviet warships arrived in Istanbul yesterday for the first courtesy visit to a Turkish port by the Soviet Navy for nearly 40 years. Reuter reports from Istanbul. The ships are the *Novik* and the *Udaloy*, both of the *Udaloy* class. They were taken for preventive treatment at the Pasteur Institute in Lyons after being contaminated last week by a cow which had been bitten by a fox. Cases of the disease of rabies have been reported in some 40 of France's 95 departments. It was first detected in the country 10 years ago and has remained areas around Paris.

## Rabies spreads

Rabies, spreading slowly south and west across France, has reached the department of Savoie, bordering on Italy, a Health Ministry spokesman said yesterday. Reuter reports from Paris. Three agricultural workers from Saint-Jean de Chastelus, Savoie, were taken for preventive treatment at the Pasteur Institute in Lyons after being contaminated last week by a cow which had been bitten by a fox. Cases of the disease of rabies have been reported in some 40 of France's 95 departments. It was first detected in the country 10 years ago and has remained areas around Paris.

## Finland price rise

Finland's consumer price index rose by 0.5 per cent in October from September and by 1.1 per cent from October, 1977, the Central Bureau of Statistics said yesterday. AP-JP reports from Helsinki. The 0.5 per cent rise was largely due to higher prices for clothing, shoes and household appliances, the bureau said.

## Swedish population

Sweden's population growth is stagnating and in the 1980s the number of inhabitants will start declining, according to a population prognosis to the period 1978-2025 released in Stockholm yesterday by the Swedish Statistical Bureau. Life expectancy will increase, as will the number of elderly people, the number of children will, however, decrease, the Bureau said.

## Peace prize worry

The Norwegian Nobel committee said yesterday that the Oslo University Aula concert hall is not considered sufficiently secure for the December 10 ceremony when the peace prize will be awarded to the joint winners, President Anwar Sadat of Egypt, and Prime Minister Menachem Begin of Israel. AP report from Oslo.

## Portugal textile walk-out

MORE THAN 200,000 textile workers went on strike today as part of the latest wave of industrial action in Portugal over wage claims. The strike, along with others which have taken place this month, follows deadlock in negotiations between employers and unions on the terms of collective wage contracts due for renewal this autumn.

Although Portugal has yet to experience an all-out union offensive, strikes and stoppages are increasing, and industrial action often affects key sectors of the economy.

Textiles account for a fifth of the country's total industrial production, and cover 30 per cent of Portugal's total exports. Today's strike will be followed tomorrow by industrial action by more than 200,000 workers belonging to the Communist-dominated Federation of Metal Workers Unions. It is the second strike by metalworkers in less than a month.

They are demanding a 20 per cent wage increase, the maximum allowed under the Government-imposed ceiling. Employers are offering 11 per cent, claiming that labour and production costs are already too high.

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## Portugal textile walk-out

BY JIMMY BURNS

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At the heart of the "transport and traffic agreements," signed at level at least, is the construction of a 75-mile stretch of autobahn between West Berlin and Hamburg for which the Bonn Government will pay DM 1.2bn. This first new autobahn link between Berlin and West Germany since the Second World War is to join an autobahn opened earlier this year between Berlin and Rostock.

It will cut in half the current four-hour driving time between West Berlin and Hamburg, and will provide

East Germany, Czechoslovakia and Hungary with faster access to the important port of Hamburg.

Herr Kurt Nier, East Germany's Deputy Foreign Minister, who signed the documents with Herr Ginter Gaus, West Germany's permanent representative in East Germany, said the agreement "maintained the principle of providing one service in exchange for another."

Herr Dietrich Stobbe, West Berlin's mayor, stressed the "fastening together" of the two Germanys which he said is built into the new agreement.

The first DM120m instalment payment for the autobahn is due in March; construction will start in March and will take until mid-1983 to be completed. East Germany has agreed to purchase some DM 100m worth of road building machinery from West Germany. Although the West

## Two Germanys sign traffic pact

BY LESLIE COLLITT

EAST BERLIN Nov. 16.

EAST AND West Germany today signed a series of long-term agreements here that will strengthen West Berlin's ties with West Germany while providing East Germany with a source of badly-needed hard currency amounting to some DM 1.1bn (£190m) over the next 11 years.

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German contribution per mile is considerable, it is seen by Bonn as part of the price to be paid to obtain improvements for West Berlin which lies 110



## OVERSEAS NEWS

## THE ZAIRE ECONOMY

## Creditors press for economic and political reforms

BY MARK WEBSTER

JUST ENOUGH western aid is reaching the vast central African republic of Zaire to keep its sick economy from dying on its feet. But the slow, steady transfusion of aid has ensured that President Mobutu Sese Seko Konde Ngbendu's regime, which has kept a tight hold on the reins of power despite an inefficient bureaucracy, a disorganised army and widespread, fragmented opposition.

The May war in the vital southern mining province of Shaba delivered a crippling blow to an already shaky economy. Since then, observers say, the west has based its policy towards Zaire on two major considerations. The first is to maintain a regime in Kinshasa which will provide a bulwark against the spread of Soviet influence in central and southern Africa. The second is to recoup some of the estimated \$2 to \$3bn in accumulated debt and to clear the economic arrears of interest and principal on government and commercial bank loans.

Western economists agree that the overall picture of Zaire's economy remains gloomy. The country is still struggling to get out of the economic pit which it dug by borrowing excessively abroad during the heady days of rising copper prices. The fall in the price of copper in 1974 was compounded by ill-conceived nationalisation plans in 1973-74 and the lack of a co-ordinated management structure. Throughout the same period agriculture was neglected so that a country

which was self-sufficient in agriculture at the time of independence is importing an estimated \$300m of foodstuffs a year.

Reliable statistical information about Zaire is scarce as foreign exchange is its central bank but there has been no apparent improvement in the per cent negative growth rate recorded in gross domestic product for 1976 and 1977. Manufacturing industry is said to be running at one-third of capacity because of a chronic shortage of spare parts and materials. Foreign exchange is tight that only drives and firms of foreign aid bump up the falling receipts for mineral, diamond and coffee exports. Though overall exports are only thought to have fallen 10 per cent during the last year, the money going straight to foreign bank accounts is running at around 60 per cent.

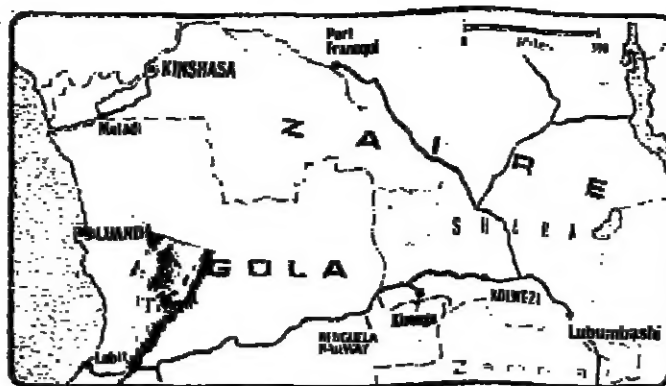
Zairean diplomats complain that the western governments which rushed to help Zaire back in June when the Mobutu Government was in imminent danger of collapse have been slow in making their contributions to the \$900m emergency aid programme agreed at the time. Nearly six months later only two-thirds of the aid has reached the country and the Zaireans say that substantial new allocations of emergency aid will be needed soon. At a recent meeting of the "club" of major western government creditors

in Brussels the Zaireans urged faster payment of the promised aid.

There is also a mounting backlog of payments on commercial debt. There are reports from bankers that Zaire is now \$200m in arrears on payments of principal for commercial loans though the country has paid an estimated \$50m into a special account with the Bank for International Settlements. It is also said to be up to date with interest payments. The prevailing view is that there will be no formal rescheduling of commercial debt (unlike the December rescheduling of government debt) because the banks are allowing back payments to pile up. They are gambling, bankers say, that a quick pick up in receipts for any of Zaire's major exports will allow the banks to recoup their debts more quickly.

At the same time the commercial banks have shown no inclination to commit themselves to further loans. A \$220m loan from Citibank which was due to be signed just before the invasion of the Shaba province is still held up until an agreement can be reached on a stabilisation plan being worked out by the International Monetary Fund.

Nonetheless, there is general agreement among the economists that the first slender shafts of light are penetrating Zaire's economic gloom. The western lenders are thought to have taken maximum advantage of



the plight in which President Mobutu found himself during the summer to insist on far reaching economic and political reforms which had previously been unacceptable to the government. The IMF had been negotiating for some time with Zaire about a stabilisation plan but the Zaireans had apparently balked at the scale of sacrifice they would have to make. For as one economist put it: "When you talk about putting Zaire's economic house in order you are not thinking of a lick of paint but new foundations."

On both the economic and political fronts the first fruits of the west's arm twisting can be seen. On the economy, the presence of a five man IMF team already available the western aid and has threatened to dis-

rupt the Benguela rail route. But the Zairean revival still hangs on many unknowns. Copper exports are back up to around 350,000 tonnes a year having fallen, partly because of Shaba, from 450,000 tonnes. Cobalt production has been maintained to safeguard Zaire's hold on 80 per cent of the world market and the price has soared to \$21,000 a tonne from \$8,250 a tonne earlier this year. The coffee harvest is said by the Zaireans to be around 80,000 tonnes but they admit that petrol production is down 17.5 per cent. Although the Zairean economy is far more widely based than many of its African neighbours — notably Zambia — it must wait for an upturn in world prices before it can hope to right its balance of payments deficit. It is only once there are real signs of an improvement in the payments position, observers believe, that the West will go ahead with the \$1bn worth of new investment which the Zaireans are said to be asking for.

The new investment plan would only follow the successful completion of an IMF stabilisation plan. But provided that is completed the new investment will fall into four main sectors: transportation, road and rail; agricultural reconstruction; the mining and general industrial rehabilitation. If all those sectors are encouraged, economists believe that Zaire is still potentially one of the richest countries in Africa.

## Amin army withdrawal 'complete'

By John Worrall

NAIROBI, Nov. 16. DESPITE conflicting reports and without the benefit of objective on-the-spot observers, it appears that President Idi Amin of Uganda has completed the withdrawal of his troops from the 700-square-mile Kagera salient inside Tanzania, which he has occupied for two weeks. Tanzanian troops, however, according to Tanzania radio, are pressing on with their counter offensive in this area. According to some sources, Tanzanian troops have crossed the Kagera River, but it is difficult to see how. The river is in flood and President Amin's men blew up the only bridge when they reached the river line last week.

Uganda Radio today is saying that President Amin watched the withdrawal of his men. He said he was surprised at Tanzanian reports that troops were attacking his forces on the western shore of Lake Victoria. "I saw only three dogs and two cats," he said.

Earlier, Amin told a Nigerian mediation commission headed by Lt-General Danjuma that he was prepared to fly to Dar es Salaam "in under an hour" to talk to President Nyerere. Meanwhile in Tanzania President Nyerere seems determined to follow the retraining Uganda troops into Uganda. An austerity campaign has been initiated.

## Islamabad N-bomb device ban 'too late'

BY SIMON HENDERSON

EFFORTS BY the British Government to prevent the export of equipment which it believes Pakistan wants in order to manufacture a nuclear bomb appear to have come too late.

A shipment of the equipment, known as inverters or frequency changers, was made in August before an export control law was amended following the spotting of the loophole by Mr. Frank Allaun, Labour MP for Salford East.

In a written Parliamentary question, Mr. Allaun had pointed out that the equipment could be used in the manufacture of nuclear weapons. Inverters ensure continuity of electrical supply and are used by British Nuclear Fuels and most power stations in this country.

In a letter to Mr. Allaun this month, Mr. Michael Meacher, the Parliamentary Under-Secretary of State for Energy, said that August shipment was unconnected with a second order worth £1.25m, which is to be prohibited. But a spokesman for the manufacturer, Emerson Electrical Industrial Controls of Swindon, said yesterday that the delivered equipment was identical to the second contract and it had been destined for the Pakistan Government.

It is understood the consignment was addressed to the director-general Special Works Organisation, Rawalpindi. The Pakistan Embassy in London refused to give the name of the director-general, denying the existence of any such organisation. It is not listed in the Rawalpindi telephone directory but the name is similar to the Frontier Works Organisation the army unit which built the Karakoram highway linking Pakistan with China.

The significance of this first sale is that inverters are based on a complex concept but can be manufactured easily from readily available components.

The consensus of international diplomatic opinion is that Pakistan wants to build a nuclear bomb, and Mr. Zulfikar Ali Bhutto, the former Prime Minister now under sentence of death, has said the country was

on the verge of full nuclear capability when he was overthrown in July 1977.

France recently went back on a contract to supply Pakistan with a nuclear reprocessing plant because of insufficient safeguards for its by-product, plutonium, which can be used in the manufacture of nuclear bombs. Observers believe Pakistan is trying to build up its reserves of enriched uranium, which can also be used to make a bomb. The country has an experimental reactor near Islamabad and a Canadian-built commercial reactor in Karachi. Canada stopped supplies of uranium for this plant in late 1976 because it was not satisfied with the safeguards.

Emerson's second and smaller contract with Pakistan has not yet been cancelled despite the amendment to the Export of Goods (Control) Order 1978, which came into effect last week. Unlike the first contract, which was made directly with Pakistan, the second is being organised through an agent, Weargate Engineering of Swansea. Emerson says it does not know when the goods are intended for this time.

Chris Abernethy adds from Islamabad: Latest reports indicate that construction of Pakistan's nuclear reprocessing plant is continuing at Chasma on the Indus River. But the country still lacks the sensitive technology to complete the plant, and any attempt to "go it alone" will demand time and money which the country can ill afford.

General Zia-ul-Haq, Pakistan's military leader, has repeated in an interview this week that Pakistan does not intend to manufacture nuclear weapons. An apparently authoritative article in a recent issue of the Pakistan Economist, however, says that while a reprocessing plant cannot be part of a programme for making nuclear explosives, the "relatively unguarded uranium route" would be better.

Pakistan has no enrichment plant but is believed to possess enriched uranium in a research reactor in Islamabad.

## Pakistan to ban interest

BY CHRIS SHERWELL

ISLAMABAD, Nov. 16.

PAKISTAN WILL move in stages to eliminate interest from its banking and financial system, Professor Khurshid Ahmed said here today. Prof. Khurshid is the key administrative figure behind the country's attempts to align itself with the requirements of Islamic law.

He said the reforms would be made gradually but refused to say when they would be made. The first stage would affect lending by banks for consumption and investment purposes and only when that is complete would there be a reorganisation of the banking system itself.

The military Government's

economic departments are known to have been concentrating much of their attention in recent weeks on the proposed changes, which will also include a wealth tax and a tax on land produce. The reforms are being made largely at the instigation of General Zia-ul-Haq, Pakistan's military leader, and orthodox religious parties in his civilian Cabinet.

Prof. Khurshid said the new system would not be introduced before the end of the year. The Government would be standing by its commitments to pay interest to international lenders, but added that even foreign dealings would eventually be affected by the changes.

## Pilgrim airliner crashes

COLOMBO, Nov. 16.

AN AIRLINER full of Moslem pilgrims crashed while trying to land at Colombo airport last night. Sri Lankan officials reported that 199 of the 262 people on board were killed.

A total of 63 survivors was reported from the Icelandic Airways DC-8 which crashed in flames in a coconut plantation, four miles from the airport runway, while trying to land during a storm. Thirty of the survivors were taken to hospital and six were listed as critically hurt.

The airliner was a charter flight for Moslem pilgrims returning from Jeddah. Most were travelling to Banjarmasin in South Kalimantan (Borneo). One of the survivors was Brigadier-General Soebagio of the Indonesian Army, who

said he escaped with bruises and some burns. Police said an air hostess was the only survivor of the crew, but Icelandic Airways and Lloyd's Agents in Colombo both reported five crew members escaped.

Reuter Eric Short writes: It is understood that the aircraft was insured for more than \$12m (\$6.1m) of which about two-thirds was placed on the London market. Settlement of the claim on the hull insurance is likely to take place within 24 hours. There is no indication of the expected amount of liability claims to be made on behalf of the passengers. It could be months or even years before they are settled completely.

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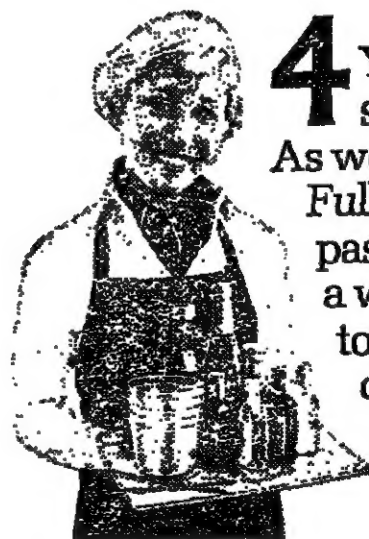


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## OVERSEAS NEWS

## Mideast peace talks hinge on message from Sadat

BY DAVID BUCHAN

WASHINGTON, Nov. 16.

THE FATE of the stalled Egyptian-Israeli peace negotiations appeared to hang on a personal message from President Anwar Sadat which Mr. Hosni Mubarak, his Vice-President, delivered to President Jimmy Carter this morning.

White House officials declined to comment on the outcome of the meeting, which had led Mr. Mubarak to the Israeli Prime Minister to postpone a Cabinet debate on the peace talks until the new Egyptian proposals are known. These proposals are said to contain separate timetables for Israel to grant autonomy to Palestinians on the West Bank and the Gaza Strip.

The issue of linking an Egyptian-Israeli treaty with progress towards a wider settlement involving West Bank and Gaza Strip Palestinians has bedevilled the peace talks so far. In the face of strong Israeli resistance to such a link, Egypt is now

thought to feel that the Jerusalem Government should at least be tied down to a specific and fairly immediate timetable for autonomy in the smaller Gaza Strip, and a more general commitment to negotiate on the West Bank.

Before meeting the Egyptian Vice-President, Mr. Carter denied a group of reporters at the White House that he might call another summit meeting to break the deadlock, as Israeli newspapers have reported. He expressed his frustration at the pace of negotiations, saying that "I had anticipated that a few days after Camp David we would have an agreement."

But he seemed relatively optimistic that the whole negotiations, which are supposed to conclude with a formal peace treaty by mid-December, would not now come unravelling.

Mr. Carter also voiced "heartfelt" support for the return from Tel Aviv to the return from Washington

tomorrow of Mr. Ezer Weizman, the Defence Minister.

Mr. Weizman was due to meet Mr. Mubarak in Washington this evening to hear Cairo's suggestions for resolving the deadlock on the Palestinian issue.

Mr. Moshe Dayan, the Foreign Minister, said today that the Egyptians had raised new demands in the talks and were seeking a special status in the Gaza Strip.

Addressing the Knesset foreign affairs and defence committees, he said that the draft of the peace treaty was almost completed, but the linkage question remained a serious obstacle.

Another major concern to Israel is the level of American financial aid to cover the cost of the military withdrawal from Sinai. Officials here are awaiting a report from Mr. Simcha Eriq, the Finance Minister, who is also due back tomorrow from talks in Washington with American officials.



King Juan Carlos

## Spanish King starts Mexican visit

By William Chislett in Mexico City

KING JUAN CARLOS arrived here today in a visit which will seal an historic bond in relations between Mexico and Spain.

Mexico was one of the fiercest critics of the Franco regime, being the first country to send arms to the Republican forces in the Spanish Civil War and afterwards offering refuge to thousands of exiles.

Not until March 1975—more than a year after the death of the dictator—were diplomatic relations between the two countries restored.

Now the old, dilapidated Spanish embassy in Mexico City, which continued to act as the Spanish (Republican) embassy under Franco, is up for sale, after being handed back to the Spanish state when diplomatic relations were restored. There is a new, far plusher embassy at the other end of the city, where the old remaining exiles will gather to drink the health of the new Spain with the King.

Mr. Jose Lopez Portillo, the Mexican President, who like so many Mexicans is of Spanish descent himself, went to Spain last year and the King is paying a return visit.

Since relations were restored, trade between the two countries has almost doubled. Last year Spain's exports to Mexico were worth \$28m and Mexico's exports \$38m.

In the first half of this year Spain's exports totalled \$45m and Mexico's \$66m. What was a broad-based balance in favour of Spain last year is now a deficit, expected to end the year at around \$30m, as a result of the export of Mexican crude to Spain. Petrol prices in Mexico are still high, the State-owned oil monopoly, signed a contract in June to sell 30,000 barrels per day.

Spain's number one export to Mexico is banks, which last year were worth \$22m, a third of total trade. While the Commerce Minister will claim that any significant trade agreements are expected to be signed for, as one Mexican Foreign Ministry official put it, "the visit is symbolic and psychological rather than commercial."

The King will spend most of his time visiting several places around the country and doing what he is very good at: promoting the cause of the new democratic Spain.

The King's visit is in fact the first time that a Spanish King has come to Mexico since the country was conquered over 400 years ago.

Since the death of Franco, Spain has become increasingly interested in Latin America and sees itself as a kind of bridge between Europe and Latin America.

There has also been mention in official Spanish circles, including reference in the King's speeches, to a greater unity among the Spanish-speaking nations—"Hispanidad."

To some this smacks, as one Mexican diplomat put it, of "the little children around the mother country gathering all their little children around it."

For the relationship between Mexico and Spain, and probably with most Latin American countries, is a love-hate one. Love in the sense that Spain is the mother country and hate in the sense that many Mexicans to this day still feel that Spaniards are themselves as "Conquistadores."

On the economic front Spain is interested in reaching some kind of a settlement of participation in the Andean Pact, whose members are Venezuela, Colombia, Ecuador, Peru and Bolivia and so have access to that market for industrial goods. Mexico is not a member of the pact but has good relations with the countries.

In this respect it is important to note Spain's election in September to the block made up of Central America, Mexico, Caribbean countries, and the World Bank.

This block, known as the northern part of Latin America, moved up from 62nd to fourth place in the IMF hierarchy.

Ironically there is probably more democracy in Spain today than there is in Mexico.

There are some who say that Sr. Lopez Portillo took part of the inspiration for the political reform which he is promoting from the developments in post-Franco Spain.

## AMERICAN NEWS

## New SEC rules on proxy statements

BY JOHN WYLES

SHAREHOLDERS in U.S. corporations can expect more informative proxy statements for the transfer of voting authority from the end of the year. This will follow the first revision in 30 years of how much information is given to the shareholder when seeking his proxy.

The new rules adopted by the Securities and Exchange Commission are a softer version of proposals first made in July which drew a storm of complaints from individuals and plants. Harold Williams, SEC chairman, the 600 letters written about the proposals was not only the most voluminous reaction to any set of SEC plans, but was also almost universally critical.

Hostile reaction focused particularly on the SEC's plan to require proxy statements to identify nominees for board positions according to three categories: management, affiliated, non-management or independent.

After a number of corporations had complained that suitable qualified board candidates might be rejected because they could not meet the definition of independent, SEC staff revised the categories to management, affiliated, non-management and unrelated non-management.

But the Commission felt that the amendments might still exclude too many qualified people while at the same time drawing undesirable distinctions between various directors. Thus, the labeling plan was dropped.

Instead, the SEC is requiring companies to disclose a broader range of information about their

board nominees. This will apply to all companies for fiscal year after December 25 and will include:

- Whether a director is a first cousin or closer relative of a director or officer.
- Whether a director is a member of a law firm retained by a company during the previous two years or associated with an investment bank which has performed service for the company during the same period.
- Whether a director has a supply relationship through affiliation with another company which has made payments amounting to at least 1 per cent of the nominating company's gross revenues or proposes to do so in the current fiscal year.
- Whether a director is affiliated

with a bank which has made loans to the company greater than 1 per cent of the company's total assets or of \$5m, whichever is the smaller.

In addition, companies will also be required to tell their shareholders whether they have audit, nominating or executive compensation committees, and if so, to describe their functions. Directors who attend fewer than 75 per cent of required board and committee meetings must also be named.

But in addition to dropping the labeling proposal, the Commission has abandoned its suggestion that institutional investors should describe in their proxy statements the policies and practices they pursue in voting with their shareholdings in companies in which they hold a stake.

NEW YORK, Nov. 16.

Added Mr. Lewis Rudin, chairman of the Association for a Better New York: "I wonder if these guys in companies who are so worried about short-term cost-cutting realize that they may be doing a disservice to their future customers and markets by running away from the cities into the countryside."

While unhappy about the American decision to leave, Mr. Solomon noted that corporate flight from the city had slowed in recent years. He added that the city had a population of 3.7 million, an engineering firm with 3,700 employees and the American Stock Exchange, with nearly 1,000, had decided to stay, as had Pan American Airways.

## American Airlines' departure attacked by NY city authorities

By Our Own Correspondent

NEW YORK, Nov. 16.

AMERICAN AIRLINES' decision to move its corporate headquarters from New York City to Dallas, Texas, has been attacked by New York City authorities.

Mayor John Lindsay said, "I don't begin to match what I got down there."

Said Mr. Peter Solomon, deputy mayor for economic policy and development, "In our discussions with American it became clear that they wanted to move for reasons which appear to be unconvincing."

Mayor Koch added that many corporate moves "were largely for the convenience of four or five executives who want to be near their golf courses."

Mr. Peter Goldmark, director of the Port Authority of New York and New Jersey, commented, "We challenged him. We said we'd meet his Dallas deal."

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## Recession in late 1979 predicted by bank

By John Evans

A FORECAST that the U.S. banks' prime lending rates will fall to 13 per cent by mid-1980, and that the economy will enter a recession that year, was made by Bankers Trust Company in London yesterday.

The bank's money market economist, Mr. Alan Lerner, commenting on the latest U.S. steps to cut the dollar, predicted that U.S. interest rates would peak in mid-1979.

The key federal funds rate would average 12 per cent during the second quarter of 1979, and this would be translated into a prime rate of 13 per cent.

He expected the U.S. economy to experience average real growth of 2 per cent in the first half of 1979, compared with the 3 per cent growth expected for the last quarter of 1978. The third quarter of 1979 would see no real growth, and by the first quarter a recession would begin.

The key to a reduction in economic activity was the U.S. housing market, which would prove vulnerable to higher short-term rates, Mr. Lerner said.

As mortgage money evaporated, housing starts would slump. That would cause unemployment in housing and related sectors, which would, in turn, reduce consumer outlay and create a ripple effect on the entire economy.

## Big spenders catch the voters

BY DAVID BUCHAN

WASHINGTON, Nov. 16.

ACCESS to funds is still the key factor in American elections, according to a study just published showing that candidates who outspent their opponents won 55 per cent of this year's contested Senate seats.

The study, issued by Congress Watch, a lobbying outfit of the Ralph Nader organisation, which favours public financing of congressional elections, showed that the bigger spender, whether of the Democratic or Republican persuasion, won 26 of 33 contested Senate seats.

There are limits, however, of \$1,000 on how often individuals can give to a campaign, and of \$5,000 on what a committee can give.

These restrictions have led

director, Mr. Mark Gren, commented.

Several of the Senate victors, such as Mr. John Warner in Virginia or Mr. Charles Percy in Illinois, are millionaires. The U.S. Supreme Court has overruled a restriction that Congress passed some years ago on the amount that a candidate could spend on his campaign out of his own money, on the grounds that it was an unconstitutional restriction on the individual's freedom of expression.

There are limits, however, of \$1,000 on how often individuals can give to a campaign, and of \$5,000 on what a committee can give.

These restrictions have led

candidates to search further afield for a larger number of smaller contributors to their campaigns. A particular case in point this year was Senator Jesse Helms of North Carolina, who raised over \$8m from some 270,000 contributors.

Congress as a body has so far firmly resisted for its own elections any such system as has been established for presidential elections which can now be financed partially out of public tax money instead of private contributions. Both political parties would frown on such a move. Incumbent senators and congressmen have built-in advantages of free mailing, permanent staff and publicity.

Added Mr. Lewis Rudin, chairman of the Association for a Better New York: "I wonder if these guys in companies who are so worried about short-term cost-cutting realize that they may be doing a disservice to their future customers and markets by running away from the cities into the countryside."

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## Antigua arms shipping confirmed

ANTIGUA'S Premier, Mr. Vere Bird, says there seems to be definite evidence that a North American company, Space Research Corporation, has shipped arms to South Africa via Antigua.

Mr. Bird said in a broadcast last night that he was consulting other Governments on what action he should take, but he hinted that the company might be forced to leave the island.

"I don't think it is a question for Antigua alone because we are not the only place, it seems, that has been used and if Space Research has to go, it will just have to go."

Space Research, a ballistics research organisation, which recently developed an advanced 155mm artillery system, has test bases on the Caribbean islands of Antigua and Barbados.

It denied last week that it was sending arms to South Africa in violation of United Nations sanctions. "The company does not ship and never has shipped any military material to South Africa or any other African state," it said in a statement in Toronto.

The denial came after a BBC television programme which claimed that Space Research had sent at least 40,000 special long-range 155mm shells and guns to South Africa with other equipment.

ST. JOHNS (Antigua), Nov. 16.

The report led to demands by opposition leaders in Antigua which is a British associated state with internal self-government, for the resignation of Mr. Bird.

Charges by the opposition that space research had channelled arms to South Africa via Antigua had previously been met by strong Government denials.

Mr. Lester Bird, Deputy Premier, and one of the Premier's sons, threatened legal action against one leader, Mr. Tim Hector, who claimed that there was a plot to kill him because of his exposures about Space Research.

Reuters

Brazil price index up 41%

RIO DE JANEIRO, Nov. 16.

BRAZIL'S CONSUMER price index reached 1,314 in October, up by 23 per cent from September and 41 per cent from a year earlier, the Getulio Vargas Foundation reported.

The foundation, whose figures are accepted as official by the Government, attributed the October increase to higher food prices (3.6 per cent) and a 4.5 per cent rise in public health services rates.

The foundation called the inflationary pressures this year "stronger" than those in 1977. The cost of living rose 35 per cent during the January-October period in 1979 compared with 30 per cent during the same period of 1977.

Government officials are no longer predicting that the 1979 inflation rate will remain under 40 per cent this year. It was 38.9 per cent in 1977.

AP-DJ

## Parade of power by Iran forces

CONSULTATIONS on the make-up of a new Iranian civilian Government continued today as armed forces running the country prepared for a major show of strength.

Informal soundings are believed to be aimed at finding suitable candidates for the national government which the Shah has promised will replace military rule once law and order are firmly restored.

Meanwhile tanks will lead a parade along nine routes in the capital tomorrow. For Armed Forces Day, which marks the foundation of Iran's modern military forces by the father of the present Shah in 1921.

Supporters of the regime will doubtless view it as a timely display of force to show a restive population that the 11-day-old military Government is firmly in control. In an anniversary mes-

sage, the Shah has praised the military rank and file who "have proved their devotion to the country and to its prosperity and are ready for any type of sacrifice."

He also voiced "heartfelt" satisfaction with the officers, soldiers and employees of the Imperial Armed Forces.

The Shah's remarks were apparently designed to drive home the message that he still has solid army backing despite the months of protest elsewhere.

Iran appears to be poised in uncertain balance between a gradual return to normal and continued economic and political disruption. Occasional street violence still flares despite the presence of the military in most towns of any size.

Witnesses reported a minor clash today between armed forces and demonstrators on Tehran's Istanbul Avenue. Police also fired in the air to disperse

TEHRAN, Nov. 16.

demonstrators, wounding four, in the south-western town of Behabad last night.

But the state-run oil company reports continued slow improvement in the industry after the three-week strike which cost nearly \$1bn, according to unofficial estimates, in lost production and exports.

The company said production was gradually returning to normal, but in the industry after the strike, the loss of oil tankers in the Gulf was also proceeding.

Partial strikes continue in some installations, with workers demanding an end to martial law, freedom of political expression and expulsion of foreign experts. But in other important sectors, such as the petrochemicals industry, the official Pars news agency reported settlement of strikes at plants in Abadan and Shahpur.

## Money supply worries HK

By Anthony Rowley

HONG KONG, Nov. 16.

MR. PHILIP HADDON-GAVE, the Hong Kong Financial Secretary, said here today he would be watching the growth of the money supply "very carefully," and considering what measures might be taken to restrain it.

His remarks to the Official Legislative Council coincide with mounting general concern about growth in the money supply, which one prominent American banker described today as "alarming."

The Financial Secretary noted that the broadly defined money supply (M2) had increased by 20 per cent by September 30, compared with the previous year, with bank lending accounting for 78 per cent of this growth.

Mr. Haddon-Gave said he did not believe that the measures to restrain money supply growth would have to be invoked, but indicated that the whole question of interest-rate determination must be given further thought. Rates are now decided by a cartel of private banks, which recently decided on two fairly sharp rises, but has been criticised for not reacting more quickly and more smoothly to rising rates elsewhere, thus causing a net outflow of funds from Hong Kong.

Mr. Carl Gustav, Chase Manhattan Bank's general manager in Hong Kong, said today he had been "alarmed" by the money supply growth and felt that the rate-fixing cartel had acted "responsibly but late" in raising interest rates recently.

Mr. Haddon-Gave said he is sticking to his recent forecast of a 6 per cent rise this year in Hong Kong's consumer price index. Growth rates are still in double figures, he said, but domestic growth must slow to make resources available to the export sector to meet the trade deficit which is likely to reach HK\$2 bn (£241m) this year.

## Japan's small businesses increase capital spending

BY RICHARD C. HANSON

TOKYO, Nov. 16.

SMALL AND MEDIUM manufacturing businesses in Japan estimate that their capital spending on plant and equipment in the present fiscal year, ending next March, will increase by 12.3 per cent to ¥1,209bn, according to a survey released today by the Government-owned Small Business Finance Corporation.

The survey, conducted in mid-October, shows a change from earlier soundings. It covered 8,816 of the 60,842 smaller concerns in Japan.

Capital spending by the smaller sector last year fell 9.9 per cent. The new burst of spending results in part from pressure by large companies who

have been demanding increased efficiency from their smaller suppliers so as to remain competitive in the export market despite the sharply appreciated yen.

The Economic Planning Agency said the latest spending projections for the smaller companies was slightly below large industry projections in recent samplings, but it noted that the big business totals were heavily weighted toward spending by the electric power industry.

Most of the expected investment for small companies, employing from 20 to 299 workers, will centre on new higher-performance equipment.

## Israel price index rises

BY L. DANIEL

TEL AVIV, Nov. 16.

THE ISRAELI consumer price index rose by an unprecedented 5.7 per cent in October, the Government said today, as the cost of food, clothing and footwear. The increase brought the cumulative rise in the index for the first 10 months of this year to 35 per cent.

As the November and December index will reflect the higher cost of fuel and other items introduced at the end of October, as well as the 15 per cent plus wage increases just negotiated for the public services, the total for 1978 is likely to be at least 42 per cent.

The governor of the Central Bank has been calling for res-

traint in Government expenditure for months, but the civil service has grown and a supply of military equipment is at the militia stage.

The Treasury and the trade unions blame each other for the run-away inflation, and labour troubles are likely to spread.

Trade union leaders are calling for strike action and demanding revision of both the cost-of-living allowances (from a semi-annual to a quarterly payment), and full compensation for rises in the index, instead of the previous 70 per cent. The Deputy Finance Minister has indicated that he does not intend to accede to this demand.

## French offer to refugees

BY DAVID WHITE

PARIS, Nov. 16.

FRANCE IS prepared to accept Vietnamese refugees who have been stranded off Malaysia for a week on board the freighter Hai Hong. Malaysia has refused to admit them.

In the first official offer of hospitality to the 2,500 Vietnamese, half of whom are children, M. Olivier Stirn, secretary of state at the French Foreign Ministry, told the National Assembly that France was ready to admit those who wished to come to France.

Malaysia's denial of admission is based on the ground that the Hai Hong's passengers, who paid

to leave Vietnam, are not genuine refugees.

M. Stirn cited France's "tradition as a land of asylum." It is not clear how many will want to come to France, which has accepted 45,000 refugees from Indochina since the Communist victories in the former French protectorates of Cambodia, Laos and Vietnam.

The Hai Hong group would be admitted in addition to the regular French entry quota of 1,000 a month. The standard criteria for entry are a knowledge of French, a family or other links with France.

## Australian minerals row

BY JAMES FORTH

SYDNEY, Nov. 16.

THE PREMIERS of Australia's main minerals exporting states, Queensland and Western Australia, have stepped up their campaign to persuade the Federal Government to abandon its recent decision to tighten export controls over several minerals.

Mr. Joh Bjelke-Petersen, the Queensland Premier, sent a strongly worded telex message to Mr. Douglas Anthony, the Minister of Trade and Resources and Deputy Prime Minister, after a meeting in Brisbane today with representatives of 15 large mining companies.

Sir Charles Court, the Western Australian Premier, has also sent telex messages to executives of major mining companies setting out the state's opposition, and reminding the companies that their "main contracts and main interests lie with the states from whence they set their rights to mine and where they undertake their main operations."

The dispute started late last

month after Mr. Anthony, on the eve of a visit to China, announced that the Government would effectively control future terms governing the export of iron ore, coal, bauxite and alumina.

Mr. Anthony said the companies could still negotiate contracts, but that the Government would decide the parameters, including pricing provisions, tonnage and duration. Companies would have to obtain specific approval before they could enter into negotiations, and would have to go back for approval if they sought to negotiate outside the parameters.

The Federal Government has expressed concern that the depressed world economy had resulted in Australian companies accepting contracts which were too low, especially from Japan.

The policy provoked a strong reaction from the state Premiers, many large mining companies and money of the

Government's own backers. It turned out that Mr. Anthony had neither notified Mr. Malcolm Fraser, the Prime Minister, of the details of his announcement before he delivered it in parliament, nor cleared it with the Cabinet.

Mr. Fraser then declared the new guideline policy was in draft form only. He said that the companies would be consulted and their comments taken into account before the policy was finally settled. Despite this, the Department of Trade and Resources is already implementing the new policy for the coal negotiations.

After today's meeting, Mr. Bjelke-Petersen said that the policy could hinder several negotiations now taking place between companies operating in Queensland and markets in Japan and elsewhere. There has already been a cool response in Japan to the new policy announcement.

On the economic front Spain is interested in reaching some kind of a settlement of participation in the Andean Pact, whose members are Venezuela, Colombia, Ecuador, Peru and Bolivia and so have access to that market for industrial goods. Mexico is not a member of the pact but has good relations with the countries.

In this respect it is important to note Spain's election in September to the block made up of Central America, Mexico, Caribbean countries, and the World Bank.

This block, known as the northern part of Latin America, moved up from 62nd to fourth place in the IMF hierarchy.

Ironically there is probably more democracy in Spain today than there is in Mexico.

There are some who say that Sr. Lopez Portillo took part of the inspiration for the political reform which he is promoting from the developments in post-Franco Spain.

U.S. COMPANY NEWS

Unifroyr camps final dividend: earnings rise at Arthur Andersen; Dart bid for Malory makes progress—Page 33

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BY REGINALD DALE, EUROPEAN EDITOR

BY HILARY BARNES

**COPENHAGEN, Nov. 16.**

Financial Times Reporter

BY JONATHAN CARR

**BY OUR OWN CORRESPONDENT**

BY RHYS DAVID, TEXTILES CORRESPONDENT

**BY MARGARET HUGHES**

BY DAVID SATTER

BY GUY HAWTIN

# Department of Energy.



## HOME NEWS

## British Airways doubles profit

BY LYNTON McLAIN

BRITISH AIRWAYS made a profit of £51m after tax in the six months to September, more than double the profit for the corresponding period last year.

The figures reflect the success of the airline's cheap fares, including reductions on North Atlantic flights and cuts of up to 40 per cent on selected routes to Europe.

The number of passenger-kilometres flown on scheduled services rose by 29 per cent in the six months to the end of September, compared with the same period last year. Air freight services increased by 21 per cent.

The total growth in traffic of 26 per cent lifted British Airways' revenue for the period from £687m last year to £969m this year.

The airline said yesterday that other factors had also helped to double last year's first-half profits of £25m after tax, interest and amortisation of currency losses.

Last year, the airline lost income through the air traffic control assistant's dispute and the need to strengthen the wings of some Trident aircraft.

## Success

The success of the cheaper scheduled air fares was emphasised yesterday when the airline said that the capacity of its charter services had fallen by 2 per cent in the six months to September compared with the period last year.

The move away from using aircraft capacity for charters accelerated in the quarter to September 30, when there were 7 per cent fewer charter seats available.

The growth in scheduled passenger air services also gained pace in the quarter to September, with a total growth in capacity of 34 per cent against the same period last year. Total British Airways air traffic rose by almost a third.

## UN cash pledge

BRITAIN has pledged \$40m to a range of UN activities next year, which include the UN Development Programme, UNICEF, the recently-established UN Industrial Fund, and the Fund for Population Activities.

## Consumers' spending estimate revised

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CONSUMER SPENDING in recent months turns out to have been even more buoyant than first estimated, according to official figures published yesterday.

The volume of consumers' expenditure between July and September was £16.88bn, at 1975 prices and seasonally adjusted, according to the Central Statistical Office's second preliminary estimate. This represents an upward revision of £28m from the first estimate issued in mid-October.

The revised figures confirm that third quarter spending was slightly higher than the previous peak level at the beginning of 1973, after a rise of about 2 per cent on second quarter level this year.

Spending has risen sharply during the last 12 months and in the third quarter was about 9 per cent higher than in the late summer of last year.

This rise was largely the result of the sharp recovery in living standards during the last year. But real incomes are expected to rise much more slowly from now on, and a fall in the level of savings underpins the new Treasury projection of a 3 per cent rise in consumer spending between the second halves of this year and next year.

Between the second and third quarters of this year there were increases in expenditure on food, fuel and light, clothing and

footwear, and durable household goods. But spending on motor vehicles is estimated to have fallen slightly, as has already been suggested by a levelling out in new finance house credit. Expenditure on cars and motorcycles was 22.5 per cent higher in the first nine months of this year compared with the same period last year—as already reflected in the rise in new car registrations.

CONSUMERS' EXPENDITURE					
	Revalued at 1975 prices and seasonally adjusted: £m				
	Total	Food, drink, tobacco	Housing, fuel & light	Durable household goods	Cars & Motorcycles
1973	65,497	19,904	11,992	3,270	2,668
1974	64,070	19,876	12,105	3,060	1,731
1975	63,192	19,663	12,153	2,968	1,816
1976	63,320	19,836	12,305	3,080	1,977
1977	62,732	19,511	12,547	2,908	1,820
1st	15,619	4,809	3,109	722	510
2nd	15,495	4,850	3,156	703	454
3rd	15,777	4,843	3,151	745	515
4th	15,641	5,009	3,131	738	441
1978 1st	16,361	5,105	3,168	775	639
2nd	16,373	5,043	3,204	788	593
3rd	16,586	5,115	3,225	836	550

Source: Central Statistical Office

## Italian oil rig design chosen

BY KEVIN DONE, ENERGY CORRESPONDENT

PHILLIPS PETROLEUM has chosen an Italian design for the production platform for its Maureen Field in the North Sea. The design contract, awarded to Tecnomare, is for a steel gravity platform, a type that has never been used before in the North Sea.

Phillips has placed the design contract before receiving approval from the Department of Energy for its field development plan.

Approval is not expected for several weeks, but Phillips has placed the contract in order to keep development of the field on schedule.

The Tecnomare design has been used in one other oil province. Four steel gravity platforms were installed on the Luanco Field, off the coast of Congo, West Africa, in 1976. They were brought into production this year.

The Phillips platform will probably have capacity for storing 650,000 barrels of crude, an important feature if the Department of Energy clears the company's plan for offshore loading.

The department is thought to be keen to encourage Phillips to pipe the oil ashore, but that method is unlikely to prove economic. Maureen is one of the smaller commercial North Sea fields and is understood to have reserves of 140m-160m barrels.

## Advantages

No contract can be placed to build the platform until the department has approved the development plan. It is thought, however, that all Scotland's three steel platform-building yards would be suitable for the work, as well as the Howard Doris yard at Loch Kishorn.

Advantages in the Tecnomare design include the possibility of installing the steel deck and production modules in sheltered water close to shore before the platform is floated out to the field.

Early production wells can be drilled through a template at the field, before the platform is located, so that crude oil production can be started much more quickly.

Chevron has plugged and abandoned the second well on block 3/23A without making any commercial find of hydrocarbons. The well was drilled as part of a "farm-in" deal in which Chevron and the British National Oil Corporation have acquired a share in the block from the Ball and Collins 1971 Group.

Last month Chevron announced a significant find of heavy, low-gravity oil on another farm-in block, 3/28, directly to the south of block 3/23A.

## Tax relief on home loans will be delayed

By Michael Cassell

MORE THAN 4m people with home loans may have to wait until next autumn before receiving additional tax relief on the newly announced higher home loan rate.

The building societies announced a 11 per cent rise in the mortgage rate last week but decided to wait until the new system of making tax adjustments annually.

Last year, for the first time, the Inland Revenue tried to keep up with home loan rate changes as they occurred but it proved difficult.

It said yesterday, "No sooner had we done one change than the rate moved and we had to start over again."

## System 1

"We are not computerised, we only wish we were, and with more than 4m borrowers to cope with it takes a very long time."

Under the old system of annual adjustments, tax officials normally act about August, after being given a chance to process building society returns made at the end of the tax year.

So the latest rate changes—which could be followed by further adjustments in the next few months—may not be acted upon by the Inland Revenue for at least nine months.

The Inland Revenue did say, however, that if the mortgage rate looked set to remain steady, they could consider earlier adjustments.

The Building Societies Association said: "The decision should not worry anyone too much, especially if he knows he is eventually going to receive the tax relief due."

"The Revenue is not completely heartless and we are certain it will move quickly in cases of hardship."

## Accounting disclosure proposal

By Michael Lafferty

BOARDS of directors will have to disclose the precise date on which they approve accounts, under the provisions of a new draft accounting standard released yesterday by the Accounting Standards Committee.

The proposal comes in a new exposure draft, ED 23, Accounting for Contingencies. This should bring about much better disclosure of contingent gains in financial statements, according to Mr. Jim Carty, secretary of the standards committee.

The draft says that the following information should be disclosed in respect of contingencies:

- the nature of the condition or situation existing at the balance sheet date;
- the uncertainties which affect the future outcome; and
- an estimate of the financial effect made at the date on which the financial statements are approved by the directors; or a statement that such an estimate cannot be made.

Exposure Draft 23: Accounting for Contingencies. Copies obtainable, price 50p, from the Accounting Standards Committee, Moorgate Place, EC2.

A DIAMOND collar made by Boucheron around 1890 sold for £33,000—the highest price of the day at Sotheby's in a jewels sale which totalled £236,806.

Elsewhere, the disposal of the collection of military and naval campaign medals gathered by the late Charles Lovell produced a total of £161,298, with the best price realised by the £1,500 sold by Stanley Gibbons for a DSO and other medals awarded to a Lt. Smith between 1896 and 1915.

## SALEROOM

BY ANTONY THORNCROFT

Silver contributed £47,362, and a top price of £1,450 for a George III oval two-handled tray. At Sotheby's Bellerose, office equipment and scientific instruments brought in £45,302. A Powell and Leland brass microscope, made around 1880, sold for £1,700. The Science Museum gave £800 for a "telephone" button camera of around 1900.

At Lawrence's in Crewkerne, a Solomon Islands bark shield sold for £3,400, while nearby in Bristol, Osmond Trucks sold a watercolour of the bay at Zante by Edward Lear for £3,600 to the Fine Arts Society and a drawing of the Avon Gorge by Turner for £3,100.

At Bonham's, furniture fetched £34,111, with a George III mahogany chest selling for £2,700 and a George II burr walnut bureau bookcase for £2,500. At Christie's South Kensington, a brooch made of bone and shell made in 1878 fetched £2,200.

## Delfont office

LORD DELFONTE is the new president of the Printers' Charitable Corporation, succeeding Sir Billy Butlin, whose appeal during the last year raised a record £302,000.

## Healey explains why Britain's economic growth will decline

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE REASON why Britain's rate of economic growth is expected to fall off next year is because "manufacturing industry will be unable to stand up sufficiently to competition either in home or export markets," Mr. Denis Healey said yesterday.

This unusually frank admission of the nature of Britain's problems came in a speech by the Chancellor of the Exchequer to a TUC industrial strategy conference in Birmingham.

Mr. Healey's comments came in a section discussing the implications of the Treasury forecast published on Wednesday, although he said that the margin of error in the forecast was "enormous" and "the theories on which they are based are of uncertain value."

## Car output

The forecasts are relatively pessimistic, pointing to only a slow growth of manufacturing production next year, but a further increase in import penetration and a deterioration in the volume of net trade in manufactured goods.

Mr. Healey said the problem was not a shortage of demand but of supply. "Those who believe that we can solve all our problems simply by pumping more money into the economy should look at the motor industry."

Last year car registrations rose by 3 per cent, but production of cars in the UK fell by 6 per cent and sales of British

cars declined by 10 per cent. In the first nine months of this year—before the Ford strike—demand for cars in Britain rose by 24 per cent while car output increased by only 1 per cent.

The performance of manufacturing industry was the central problem. "Most of the other sectors in the economy—agriculture, retail distribution, the financial services, tourism and so on—are highly competitive."

But there were "striking exceptions" even in manufacturing as 10 per cent of Britain's companies seemed to be better than the international average and nearly a fifth just as good.

"That suggests to me that the problem does not lie in some difference in national character between British workers and managers and those abroad, or in that matter in some fundamental defect in the economic, social or political environment in which British industry has to operate."

"The problem lies on the shop floor and in the boardroom of the individual factory or plant."

By providing the right framework of fiscal and monetary policy and by direct co-operation with particular firms and sectors, the Government has been able to help manufacturing industry to achieve a very substantial improvement in its trading performance over recent years.

## Small businesses 'must have aid'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A FRESH INITIATIVE in the Government's campaign to help small businesses was launched yesterday by Mr. Harold Lever, Chancellor of the Duchy of Lancaster.

He called on Government Departments and large companies to aid them through their buying and other policies.

He also said that the Government was continuing to study the possible setting up of a loan guarantee scheme for clearing bank loans to small businesses as well as other ways of encouraging private investment.

Mr. John Biffin, the Conservative Party's new front-bench spokesman on small businesses, said yesterday that a future Conservative Government would not create a special agency to make loans to them at low rates.

He said on BBC radio a few hours after his appointment was announced that such palliatives aimed at special sections of the economy only diverted Ministers from what should be their main task of creating a stable economic and political climate in which businesses could thrive.

Mr. Lever said that there were two main areas where large businesses could help, "not in any patronising sense but arising out of their business relationship and mutual interests."

One area where common interests in a locality meant that projects like the London agency could be started.

The other was where there was a commercial relationship with the small business being a supplier, sub-contractor or customer. "The large firm can give practical help in purchasing, policy and practice," said Mr. Lever.

## General Motors to spend £10m on Milton Keynes parts depot

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS is to spend £10m on a new central warehouse and distribution centre for car parts and accessories at Milton Keynes, Bucks.

This year GM has announced projects worth £30m for the U.K., including a £15m seat belt plant at the former Rolls-Royce factory in Belfast and a £5m reorganisation of its Southampton air and oil filter manufacturing operations.

GM's warehousing facilities are presently shared by nine locations from Southampton to Liverpool and these will be closed down at the new Milton Keynes establishment comes on stream at the end of 1990.

The 400 employees affected will all be offered jobs and an incentive package to move to Milton Keynes or at least offered positions at one of the five manufacturing plants making AC wagen Deico components—in Britain.

GM has a 28-acre site at Milton Keynes and the initial phase of which moved into a £7.5m head new facility will have quarters in the new town earlier this year.

Centralisation of warehousing and distribution should cut materials handling and transport costs, improve customer service and allow modern materials handling systems to be employed, GM pointed out yesterday.

At Milton Keynes, GM will have as a near neighbour Volkswagen (GB), the Loughborough sub-assembly and distribution centre for the UK and Ireland.

GM's new facility will have quarters in the new town earlier this year.

## Advertisements curb sought

BY MICHAEL THOMPSON-NOEL

COMPREHENSIVE legal controls of advertising are unnecessary, the Office of Fair Trading said yesterday. But the Director General of Fair Trading, Mr. Gordon Borrie, wants powers to seek court injunctions to halt publication of advertisements which seriously breach the code of advertising practice.

According to an Office of Fair Trading survey of nearly 3,000 national and regional Press and magazine display advertisements, 7 per cent were judged to have offended the code of practice.

Among the national daily Press, the proportion rose to 11 per cent, and among national Sundays, to 15 per cent.

The biggest offenders were mail order advertisers. Advertisement for new cars, household equipment, horticultural products, financial services, holidays and travel all recorded above-average failure rates.

The report criticises the length of time the authority takes in dealing with complaints. "This is a problem that on occasions, when the publisher has not already taken action, offending advertisements continued to appear for a considerable time after a complaint had been made."

The Office of Fair Trading says that advertisers be given only ten days in which to substantiate advertising claims that are challenged. The report also challenges whether sufficient sanctions are available to tackle rogue advertisers.

The survey included a research project conducted by the British Field House, Bremsa Buildings, Market Research Bureau, A panel

of assessors monitored nearly 3,000 print advertisements. Any advertisement which in any way breached the code of practice was categorised as a failure. The assessors did not attempt qualitative appraisal of offending advertisements.

From the sample—out of a total of about 25m print advertisements published each year—93 per cent were estimated to conform to the code. The highest failure rates were seen in the national Sundays (15 per cent) and national weeklies and monthlies (13 per cent). The best performance was by regional weeklies, with a failure rate of only 6 per cent.

Review of the UK Self-Regulatory System of Advertising Control. Office of Fair Trading, Bremsa Buildings, Market Research Bureau, A panel

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Review of the UK Self-Regulatory System of Advertising Control. Office of Fair Trading, Bremsa Buildings, Market Research Bureau, A panel



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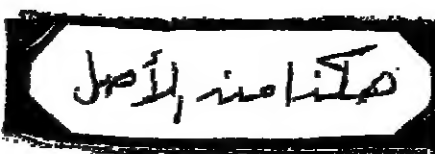
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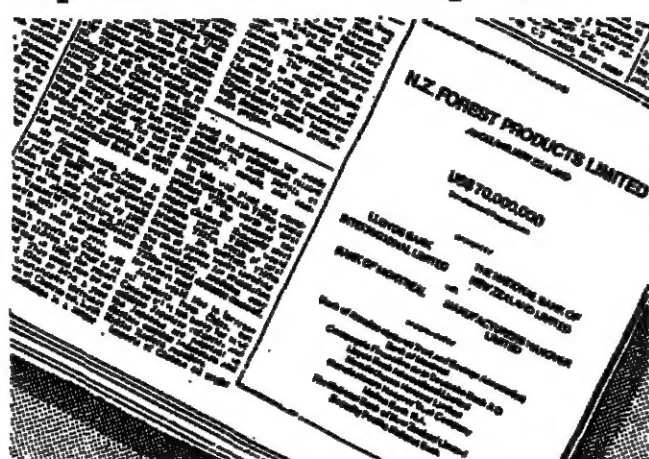
One of our major skills is putting together the right package of eurocurrency finance for our individual customers. In 1977 we managed forty syndicated loans totalling US \$6 billion. In 1978 we have been one of the world's foremost banks in lead-managing syndicated euro-currency loans. We are underwriters in over 85% of all eurobond issues, and we are active as managers in this field. So you can see that whenever you need finance, it is worthwhile asking us first about getting the resources together.

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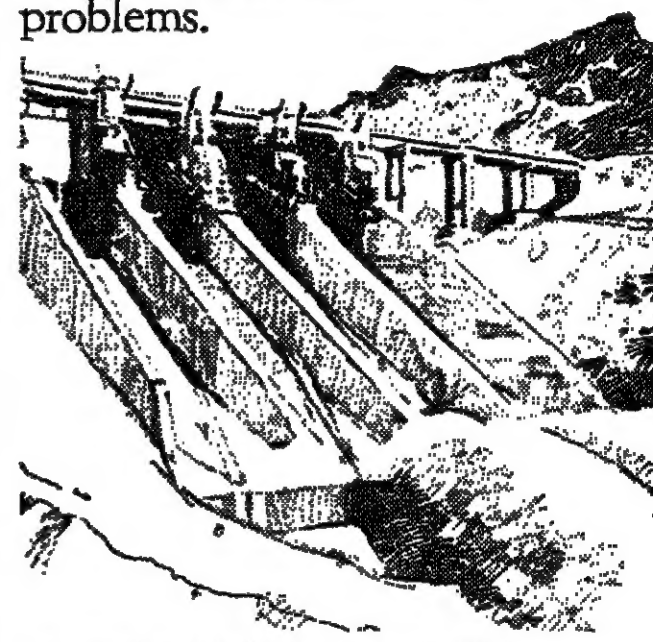
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The agreement is formalised after negotiations to match borrowers and lenders requirements.

our world-wide activity are all the extra resources we offer in our full range of banking services. For example, we tackle corporate finance from an international point of view, helping you to raise capital in the most efficient way or to make the best use of the money you already have available. Here, our money management service plays a vital part, enabling corporate customers to use the banking systems of the world in a way that maximises return or minimises borrowing requirements. Our investment services broaden the opportunities available to make the best use of your existing funds, either short- or long-term. And to complete the catalogue of the resources we have immediately on call for

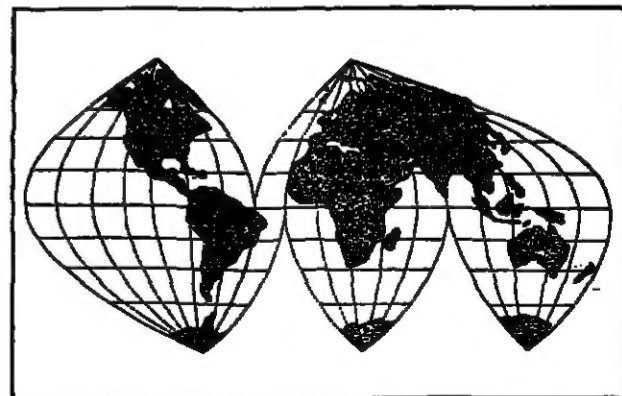
you, our trust department helps you and your key internationally-based staff to solve a host of legal, taxation and insurance problems.



The Cerrón Grande hydro-electric scheme in El Salvador, part of a major development project of the Comisión Ejecutiva Hidroeléctrica del Río Lempa, construction of which LBI helped to finance.

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## Increase in steel demand appears likely

By Roy Hodson

THE DEMAND for steel in Britain is likely to pick up in coming weeks as stocks are built up at steel mills and warehouses.

Steel stocks have been allowed to run down to abnormally low levels during the steel recession this year. The British Steel Corporation took emergency action to clear its plans and has been clearing on the lowest possible stocks.

Consumer steel stocks, meanwhile, have fallen to 3.81m tonnes—the lowest level for several years—according to Industry Department figures, published yesterday.

### Deliveries

Consumption of finished steel in the third quarter of the year is estimated at 3.93m tonnes, the same as the previous quarter.

But steel deliveries from the mills to consumers and steel stockholders fell to 2.9m tonnes during the quarter. Previous quarterly deliveries had been running at more than 3m tonnes.

Less than 18 weeks' supply of steel was held in stock by consumers and stockholders at the end of September, according to the department's estimates.

Both the public and private sectors of British steelmaking now believe that limited re-stocking is starting to bring more business and that the process will continue at least until Christmas.

British industry has tended to work on steel stocks in hand of between 17 weeks and 18 weeks in recent years.

High interest rates could hit the re-stocking cycle but so far there are no signs of that happening. The domestic demand for a wide range of steels is stronger than at any time since the industry faced crisis conditions a year ago which resulted in the EEC Davignon protection schemes.

### £720,000 site to be developed

BLACKPOLE Trading Estate, Worcester, is to be bought for £720,000 from Drayton Corporation by Redman Heenan for development.

The estate comprises 24 acres of undeveloped land, half immediately available for industrial use, and 17 industrial units, totalling 45,000 sq ft, all let.

## Cheap phone service for calls abroad

By Max Wilkinson

A NEW telephone service was introduced yesterday allowing UK subscribers to dial overseas offices of some international companies for the price of a local call.

The system is run in co-operation with European telephone authorities by an American-financed company named Group 800. Its European system is called Service 800.

Its main aim is to make communication easier between the public and large multinational companies. Customers for the system so far include airlines, credit houses and hotel chains.

The idea is that the large company should rent line or group of lines from System 800 in chosen countries.

Members of the public in any of those countries may then dial

### Coin box prices to rise

THE POST OFFICE said yesterday that the price of calls in telephone boxes would go up "sooner or later", although it had not yet been decided if it would rise in April, when the Post Office price freeze ends.

Plans to convert the 327,000 call boxes, at a cost of £1m, have been under consideration for the past four years, but the price

### Makers' injury liability 'should be increased'

By David Churchill, Consumer Affairs Correspondent

MOST people are in favour of increased manufacturers' liability for defective products, according to a new survey published yesterday by the National Consumer Council.

The survey, carried out by National Opinion Polls for the council, discloses that three-quarters of the 1,848 people surveyed believe that manufacturers should be held liable for injury or damage caused by faulty products bought by consumers.

A similar proportion believe manufacturers should also be held liable for faulty products which cause damage or injury to someone other than the purchaser.

The survey also disclosed that most people are unaware of the present extent of manufacturers' liability. More than half mistakenly thought that manufacturers were already liable to compensate purchasers of a faulty product for injury or damage.

The council has published its survey to coincide with today's debate in Parliament on the Pearson report on civil liability

# £21m coal subsidy for power stations

By John Lloyd

THE Central Electricity Generating Board is to receive a subsidy of more than £21m to persuade it to burn extra coal this winter—£4m more than previously published.

The Government said last month that it would pay £17m to the National Coal Board to allow it to subsidise the cost of its coal to power stations. The move was made both to help to burn mounting coal stocks and to relieve temporary difficulties in the Board's cash flow.

However, it was not made clear at the time of the Government's announcement that the Coal Board would add more than £5m to the £17m.

The £5m represents the money which the Coal Board would have spent on interest and other

charges incurred for producing and stocking the extra coal—which it would not otherwise have sold without the Government subsidy.

The level of subsidy which the total payment puts on a tonne of coal is between £4 and £4.50 over the next six months. There are no firm plans for renewing the subsidy after that period.

### Worry

The effect of the subsidy is to bring coal-fired power stations automatically up to the generating board's merit order, which is based on the fact that fuel is cheaper to burn, than gas or oil. However, there are "knock-on" effects

which worry the generating board.

The first has been that the generating board has had to sell off 600,000 tonnes of coal, which it receives as part of a ten-year contract with Australia, at a much lower price than it paid for it.

The coal has been sold at around £3 a tonne less than the purchase price to the French electricity generating authority, a total loss of more than £2m. The Australian contract specifies delivery of about 1m tonnes of coal a year at £10 a tonne cheaper than UK coal until 1983. If further subsidies are granted to UK coals, it may be necessary to put more of the Australian deliveries on the open market at cut prices.

## Coal Board target 'calls for £500m investment a year'

By John Lloyd

THE National Coal Board must invest £500m every year if it is to meet its target of producing 170m tonnes of coal a year by 2000, Sir Derek Ezra, chairman, said yesterday.

Sir Derek, after a visit to Beveridge Colliery, Nottinghamshire, described as "short-sighted" those opponents of the Coal Board's plans who pointed to nuclear energy and North Sea oil and gas as reasons for not investing in coal.

Nuclear power stations could not produce petrol, diesel fuels and petrochemicals, North Sea oil and gas last for a comparatively short time.

"Estimates vary: even the most optimistic do not speak of more than 20 years, and last week Offshore Operators gloomily predicted that it could be as short as six years."

At least 10 years were needed before a new mine could produce coal, he said, so the board should be allowed to proceed "as rapidly as practicable—allowing reasonable time for democratic debate" with further development of coal resources.

Over the next decade, about 20m tonnes of annual output might be lost through natural

wastage. Immediate replacement was necessary if the nation was not to experience "a dire shortage of essential fuels and energy" by the 1990s.

Sir Derek was speaking near the North-east Leicestershire colliery, where the Coal Board plans to sink four pits in a £500m development, the largest of its future projects.

Local residents and other groups strongly oppose the plans. "I believe the Vale of Belvoir and the North-east Leicestershire colliery can produce both food and energy without unduly interfering with each other. We are all concerned with the health of our economy and equally for the preservation of the environment," Sir Derek said.

Coal Processing Consultants, a joint Coal Board-Babcock and Wilcox subsidiary, has received a contract from the Department of Industry to investigate methods of recovering useful products such as oil and gas from the 13m old car and lorry tyres destroyed each year in the UK.

A pyrolysis treatment process is believed to be capable of yielding oils and other residues for use in the chemical industry to make fuel oils and carbon black.

## Liverpool's port loses £2m profit

By Lynton McLean

SEVERANCE PAYMENTS to more than 300 dockers at the Port of Liverpool are expected to cut profits by almost £2m for the financial year ending in December, Mr. James Fitzpatrick, the port's managing director, said yesterday.

Mersey Docks and Harbour Company, which runs the port, made a trading profit of £1.6m to December last year, compared with £5.3m the previous year.

Mr. Fitzpatrick said that the port's annual report would still show a profit to shareholders, but that severance payments would leave little for profits. Funds might also suffer short-term pressures.

Investment in new facilities at the port had been £5m to £6m this year compared with plans for nearer £10m.

The port employed 4,000 dockers and was responsible for funding all severance payments. Mr. Fitzpatrick said that it might be time for another bid to find that money.

Mr. Fitzpatrick added that the burden put the Port of Liverpool in an unfavourable position compared with the Port of London, which has been conditionally offered £35m assistance by Mr. William Rodgers, Transport Secretary, to cover severance costs of registered dock workers and staff.

## Firemen's strike 'saved' £18m

THE nine-week-long firemen's strike cost the country "saved" £18m, according to a local authority spokesman. He said that the £18m saving on alternative cover was £17m on alternative cover.

Figures published by the Chartered Institute of Public Finance and Accountancy show the £18m saving in firemen's wages. The extra £1m covered the Green Goddess fire engines and servicemen's marginal costs.

The Price Commission was last night described as "a little more than a cosmetic measure" in the battle to keep down prices, by Mrs. Sally Oppenheim, the Conservative Party spokesman on Prices and Consumer Protection.

"Cosmetic measure" The Price Commission was last night described as "a little more than a cosmetic measure" in the battle to keep down prices, by Mrs. Sally Oppenheim, the Conservative Party spokesman on Prices and Consumer Protection.

"Lame duck" charge An attack on "foolish" trades union investment proposals, which could "turn a healthy chemical industry into yet another lame duck," was made last night by Mr. Martin Trow, the director-general of the Chemical Industries Association.

Coal contract The National Coal Board has awarded a contract worth £10m to Murphy Brothers to win an estimated 800,000 tonnes of power station coal from the West Moss site near Cowdenbeath, in Fife.

New ships for BP BP Oil has ordered two products carriers from Appledore Shipbuilders, North Devon, for delivery in the spring of 1980. The two 3,000 deadweight ton tankers will be used on coastal duties in UK waters, carrying white petroleum products.

Successful drive Up to 40 ships coming to the Tyne for repairs worth millions of pounds, could be the result of the recent sales drive by the South Shields-based Tyne Ship Repair Group, the company's chief executives said yesterday.

New cinema The National Film Theatre has won planning permission for a new 189-seat cinema on its South Bank site.

# Worst of all worlds

By John Elliott, Industrial Editor

IF THE Kirby Manufacturing and Engineering workers' co-operative is returned to the private sector, as proposed in a Government report published yesterday, one of the most controversial initiatives taken by Mr. Anthony Wedgwood Benn when Secretary for Industry will be brought to an end.

It was just four years ago that Mr. Benn over-ruled his civil servants and industrial advisers to launch the co-operative with £2.6m of Government money.

Since then a succession of problems has increased the Government's bill to £5.6m and more cash will be needed if any form of fresh rescue is to succeed.

Mr. Alan Williams, the Minister of State for Industry, now responsible for the co-operative, admitted yesterday, however, that this was a relatively small figure compared with the £9m it might have cost the Government in unemployment and social security payments for the 700 workers involved if the business had been closed in 1974.

Mr. Williams, though, is not anxious to see the co-operative continue in its present form and is backing the report published yesterday of a working party he set up a month ago to map out a future for the workforce and the business. This rejects a takeover by the National Enterprise Board (NEB) and proposes a small Midlands-based central heating company called Worcester Engineering.

It would become a full subsidiary of Worcester with the help of a £3m Government loan. This would be in the form of cumulative redeemable preference shares plus a £600,000 regional development grant and management. The other managers do not take a full share in decisions, nor are they fully informed about developments.

Engineering would spend about the same amount again—more than £4m—developing the Kirby business.

The plan involves about 280 redundancies among the 720 workforce and is subject to final approval by the Government's Industrial Development Advisory Board, which has expressed some reservations about Worcester's ideas.

Worcester's working party re-co-operative, but under worker control points out that Kirby control its traditional hierarchy.

The shop stewards' committee, with the two directors, takes policy decisions, but the shop stewards are often in a difficult position. On the shop floor they frequently find themselves acting in opposition to decisions taken on the shop stewards' committee.

WME has the worst of all worlds. It has failed to develop a new form of organisation as a co-operative, but under worker control its traditional hierarchy

NEWS ANALYSIS  
KIRKBY CO-OPERATIVE

Manufacturing's big factory—equivalent in size to five full-sized football pitches—and large overhead costs require a high turnover to break even. In turn, this requires more management expertise.

"In both marketing and production engineering, the lack of expertise seems to have resulted from objections in the co-operative to paying competitive salaries," the report says.

"Kirby Manufacturing's undercapitalisation means that it is now virtually impossible to recruit to these fields." As a result, product development has been delayed and markets left unexploited.

The report is at its most critical in dealing with the failure of the enterprise to operate effectively as a co-operative.

KME has not used its status as a co-operative to develop a new organisational structure. The firm is managed on traditional lines with the directors acting effectively as its senior management. The other managers do not take a full share in decisions, nor are they fully informed about developments.

Other big central heating companies like Myson and Worcester's Stairad showed interest only in picking up some of the pieces after a liquidation. So the Worcester Engineering staff were recommended.

The working party chairman, Professor Douglas Hague, admitted yesterday, though, that there were "clear risks" in what was being proposed.

## Fewer companies sell more

FINANCIAL TIMES REPORTER

THE TREND for UK manufacturers' product sales to be concentrated in fewer hands was again slightly between 1963 and 1975, according to the latest issue of the Government publication Trade and Industry.

However, that conceals some large rises and falls in "concentration" in particular product groups.

Refined oil products sales diversified markedly between queries of manufacturers' sales data in 1975 with similar figures allow for the effect of import textiles and clothing industries, drawn from the 1963 and 1968

product concentration generally rose. The number of products where concentration was increasing was greater than those where manufacturers increased the mean change was an increase of about 3 per cent between 1963 and 1968 and of 2 per cent between 1968 and 1975.

The conclusions are derived from a comparison of data from the quarterly inquiries of manufacturers' sales data in 1975 with similar figures allow for the effect of import textiles and clothing industries, drawn from the 1963 and 1968

concentration generally rose. The measure used for the study was the share of total output held by the five largest enterprises. The use of additional measures to give a more rounded view of concentration was ruled out to avoid disclosing sales figures.

Trade and Industry observed that output concentration differs from market concentration in that the former includes products for export and does not allow for the effect of import competition.

## ENERGY REVIEW: COMPANIES IN THE SIXTH ROUND

By Kevin Done, Energy Correspondent

# Not yet ready to pack their bags

SHORTLY before mid-day on Monday an undignified scramble will take place at the doors of the Department of Energy. Senior executives from a host of oil companies will arrive to take part in a ritual last-minute drama to stake their claims to a place in the UK's latest round of offshore licensing.

The flurry of activity the last time that blocks were on offer was large enough to draw the personal attention of Mr. Anthony Wedgwood Benn, the Energy Secretary, to witness the event.

But applications for the Sixth Round of licences may well be made with a little less enthusiasm than on previous occasions. The chorus of complaints from the oil industry about the Government's North Sea policy has grown steadily louder since the conditions for the latest concessions were first announced in May. Repeated warnings have been sounded that the oil companies were losing their confidence in UK offshore exploration and were beginning to look to more favourable climates.

There can be no doubt that many companies have engaged in considerable heart-searching before deciding to participate, and the feelings of unease have been shared by some of the biggest operators on the UK continental shelf.

The indications from most companies, however, is that they are not yet ready to abandon future prospects in the UK. It is offshore. If companies bid this

be offered first to BNOC. In the few cases where farming deals have been agreed in recent months BNOC's exploration and appraisal costs are being carried by its partners.

To add a little more to the air of mystery surrounding company tactics, applicants may also offer to sell all or part of any future crude production to BNOC "at market prices". At the same time they may offer the option of being ready to buy BNOC's share of oil production, if for some reason the corporation cannot handle all its entitlement.

The Sixth Round is offering the smallest number of blocks—46 of any round since offshore licensing began in 1964. The Government has chosen deliberately to go for smaller and more frequent licensing rounds in order to try to build up some continuity of work both offshore in exploration and appraisal and onshore for the service and supply industries.

The controversy over tighter conditions has tended to overshadow the actual blocks on offer which have not aroused particular excitement. Indeed, eight of them are coming up for the second time. But there are enough concessions in truly speculative areas such as the South Western Approaches and the North-West of the Shetlands to whet the exploration appetites of most companies. It must also be remembered that for companies with existing discoveries, either in production or under development, there is the carrot of being able to offset some future exploration costs against existing developments.

Most of the 46 blocks are very speculative and only a few are likely to make companies take up the bidding opportunities.

One of the most promising areas that is being opened up is the South Western Approaches, where a total of 15 blocks are on offer in a well-established sedimentary basin. The offer of concessions in this area had earlier been held up by the dispute over the location of the median line between the French and British sectors, but the disagreement was settled after arbitration at the beginning of 1978.

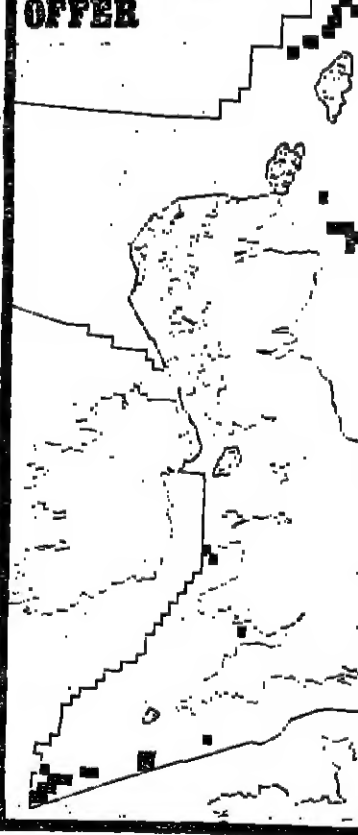
The prospects for the area have been downgraded recently, however, by the disappointing results of wells drilled on the French side. A total of four wells have been sunk over the last three years in the area of the Mer Caltique, the Mer Armor and the Mer d'Iroise, but all were dry. The exploration was carried out by a group headed by Elf Aquitaine, and includes BP.

Other discouraging factors include the total of about 15 disappointing wells that have been drilled to the north in the UK Celtic Sea and in the St. George's Channel.

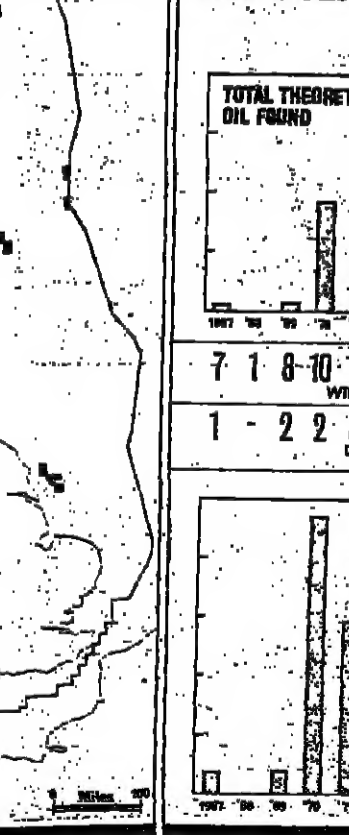
The three blocks on offer on the coast of Wales—two in the north of Cardigan Bay and one in the Bristol Channel—appear to have little to recommend them. One of them, 104/20, was relinquished from the Fourth Round. Coming to more traditional exploration areas in the North Sea, the industry appears to have been surprised by the offer of a small number of concessions in the southern North Sea to the north of the Rough gas field.

These past blocks have all been relinquished from previously licensed acreage and the current price that British Gas is willing to offer for southern North Sea gas production is hardly likely to inspire much competitive interest.

## UK SIXTH ROUND - BLOCKS ON OFFER



## UK OFFSHORE OIL EXPLORATION



The blocks on offer are: 13/12, 13/28, 13/29, 13/30, 14/46, 16/3b, 16/18, 20/1, 20/2, 20/6, 20/8, 42/2, 47/3c, 47/4b, 47/9b, 22/20, 73/1, 73/7, 73/8, 73/11, 73/12, 73/16, 74/1, 74/2, 85/23, 85/24, 85/28, 85/29, 87/11, 104/20, 106/10, 107/11, 206/2, 206/3, 208/15, 208/19, 208/20, 208/23, 208/24, 208/26, 209/3, 209/6, 209/7, 209/13, 214/20. Those marked with an asterisk will be operated by the British National Oil Corporation.

would not be the first time of time it is the sort of licensing course that the industry had technique that could well be packed its bags and left an attractive oil province. It has happened before in Indonesia, Malaysia and Nigeria, for instance, where conditions for applicants to offer to carry the BNOC for all or part of its applications that come in on exploration and appraisal costs Monday for the 46 blocks on offer might not be exactly an expression of confidence in the Government's present policies—though inevitably they will be seen as such at the Department already been introduced in a limited way when companies prove nonetheless that the latest turns of the screw on the oil industry were far from fatal.

Adjustments to companies' licence applications can be made existing concession must now

## London to keep Motor Fair

PLANS ARE going ahead for Motor Fair at Earl's Court, London, against next October.

Mr. Tommy So, said yesterday: "It is our object to create a motor event for London and the south east, designed to appeal to the specialist and the family."



# The Property Market

BY JOHN BRENNAN

## Leaping the yield gap

A YEAR AGO a 24-point rise in the Minimum Lending Rate to 14 per cent would have sent the property investment market crashing into reverse. Today, property buying institutions are struggling off the higher interest rates. And although property shares have been given a leading role in the equity market's slide, buying yields for prime investment properties show no signs of moving upwards.

On the face of it this is an extraordinary state of affairs. Before last week's MLR increase the initial yield gap between returns on long-dated gilts and stocks and on prime property purchases was already historically high. And yet a straw poll of institutional fund managers and investment surveys this week suggests that the funds are willing to see that gap widen without too much concern.

There are, in fact, extremely rational explanations for this seemingly cavalier attitude towards general interest rates. The first explanation lies with the sheer weight of institutional investment cash and the shortage of quality property investments.

In 1977 the financial institutions placed just over £1.1bn into direct property investment, around 15 per cent of their total cash flow. This year the overall investment is expected to be similar, possibly larger. At the same time the rate of property company disposals has fallen as post-crash de-gearing programmes come to an end, and the scope for forward commitment of funds

into developments has been limited, firstly by the time-lag effect of oversupplied provincial property markets keeping rents below the level needed to justify new building, and secondly by the shortage of suitable industrial and retail development land. The result has been more money funnelled into fewer properties and this has inevitably kept buying yields low.

This "weight of money" argument does, of course, beg the question of why funds are still willing to commit the proportion of their investable cash to property when alternative investments are, apparently, more attractive.

There is one structural reason for this. The local authority pension funds, which were freed by the 1974 amendments to their investment code to put more cash into property, have been anxious to increase the property content of their investment portfolios. These local authorities have been making the running in the property investment market for the past 18 months, often chasing yields down to hair-raisingly optimistic levels. It is these funds' price insensitivity which explains some of the more exotic buying yields that receive misleading wide publicity.

Another, more logical reason for institutions' willingness to continue buying property on low yields is their view of the general inflation rate. The higher the general level of interest rates in the economy, the greater the chances of other wage explosion and with it

another bout of double figure inflation. Inflation tends to filter through to rental levels providing a high enough expectation of rent growth to justify a low initial purchase yield.

John Darby, who runs Norwich Union's £600m property portfolio, echoes the thoughts of several other fund managers when he takes that rent inflation argument one step further. "What worries me," he says, "is just how long British industry can afford to pay higher rents if the economy remains in its present state."

Commercial tenants' long term ability to pay projected higher rents is a double-edged worry. On the one hand, a commercial tenant struggling to keep in profit in an unhealthy economy is likely to put up a fierce resistance to proposed rent increases. On the other hand, his rent is a first charge on the business and it could, and is, argued that rising rent income is a sounder long term bet than rising attributable profits able to support a steady increase in equity dividends.

This argument for the long term quality of rental income provides another point in favour of continued direct property investment despite temporarily higher returns on ordinary shares.

Away from the investment logic of property investment there is one further explanation of the seemingly alarming gap between property buying yields and the returns on alternative investments. That argument

Development embarrasments left by the property crash have become the staple diet of property hungry funds in recent years. One former financial embarrasment that has improved with age is Conoco House, the oil group's British headquarters building on Blackfriars Road, S.E.1.

Two years ago Keyser Ullman, as the initial developer's mortgagee, was left to complete the 60,275 sq ft (5,600 square metre) block on its own. Now, with Conoco as tenant and with 142 years to run of its headlease from the Christchurch United Charities, the bank, advised by Richard Ellis, has sold the building to Norwich Union Insurance for "in excess of" £7.5m.

Norwich Union works up 36 flats along with offices, flats built into the building as part of the planning negotiations and now let at a "toppocorn" rent to the London and Quadrant Housing Trust. Overall, the purchase, centres on the inaccuracy of information about "prime" property yields.

"Prime" property has always been a subjective term, and the impossibility of arriving at a universally accepted definition of a "prime" commercial building undermines the talk of general levels of "prime" property yields. The "prime" yields broadcast by surveying firms can only be taken as a very rough rule-of-thumb guide to the market. Reports that these yield guidelines show no sign of altering under the pressure of higher interest rates could be explained as much by the fact that only a very few top quality properties actually change hands at the yields talked of by the agents as by the rational argument in support of today's wider yield gap.



which was finally signed earlier this month, is likely to show of slightly over 6 per cent.

## IBM to Alencon Link

IBM IS to take the whole of the Greater London Council pension fund's 157,000 sq ft (14,586 sq m) office development in Alencon Link, Basingstoke.

IBM's move, which has yet to be announced, takes the GLC's £10m scheme off the market some months before its formal completion. Miller, Parker May and Rowden, who project managed and let the scheme, had been asking £5.50 a sq ft for the air conditioned block. But as the computer group is expected to take until early 1980 to fit out the building and to make its move to Basingstoke, rent free or reduced rent periods are likely to make a significant reduction in the initial rent charge.

Weatherall Green and Smith, acting for IBM, confirm that details of a 25 year lease on the building, with standard five yearly rent reviews, are now with the lawyers. The block, which would house around 700 staff, will be used to bring together IBM's General Business Group and there are no plans to sub-let any temporarily surplus space.

AFTER 18 months in Monument Street, EC3, City surveyors Baker Harris Saunders are moving to the City Corporation's Blackwell House offices facing the Guildhall Yard, EC2. BHS, best known as agents for Trafalgar House and Whitehead's 450,000 square foot Chiswell Street development and the £30m plus Standard Life, Chaddesley Greycoat scheme for the Cutler

## Spillers on the move

SPILLERS, the food group, is ranked as the second largest vacant office building available in the City. The largest is Sun Life leave its 80,170 sq ft (7,437 sq m) Old Change House headquarters building on Cannon Street, EC4.

Spillers has occupied Bernard Sunley's Old Change development since 1960 when it acquired a 42 year lease for around £1 a sq ft with just one rent review, in 1981. Although Spillers would make no comment on its move yesterday, Sunley confirms that it is now having talks with its tenant.

It is believed that one possible new home for Spillers' headquarters staff is Grosvenor Krieger Chalfen at a rent of £3.00 a sq ft (6,176 sq metres) in Northampton, 73,000 sq ft of which has been standing empty (at an asking rent of £3.50 a sq ft) for two years.

If Spillers does leave Old Block EC1, at £11.19 a sq ft.

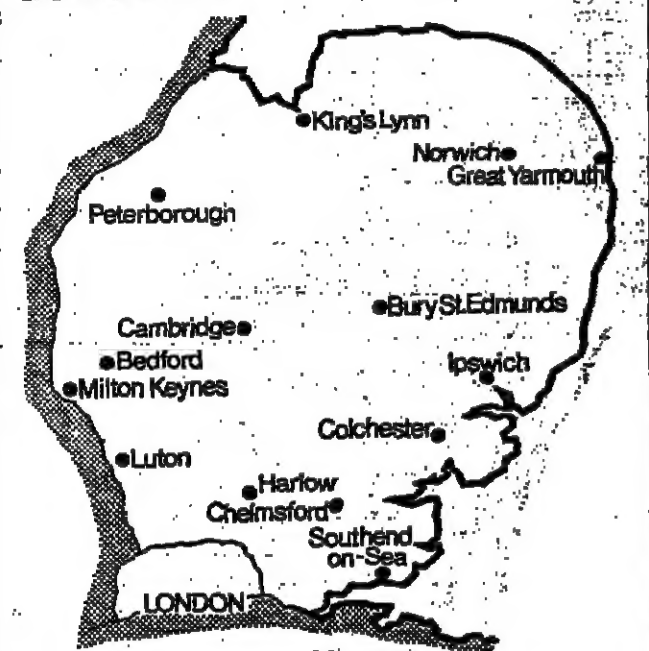
Street warehouse site near surveyors and the President Liverpool Street station, starts noted a letter from one member, work in the new offices on Monday. Wright Oliphant, a fellow as a slur on his competence. day. Unfortunately, he slightly undermined his argument by misspelling the word 'competence'. As a new West End agency also starts this week with Derek Harris move from Druce and Company to set up on his own at 80, Maddox Street, W1.

THERE WERE some elegant, if occasionally harsh comments from Peter Grafton in his presidential address in the Royal Institution of Chartered Surveyors on Monday.

On the controversial moves to tighten up educational and professional standards for surveyors at both qualifying and mid-career stages, Mr. Grafton told members that "educational accountability and the procurement of buildings," and a third incorporating the Institution's five remaining divisions, "being conditions have not been greeted with the use, management and development of buildings."

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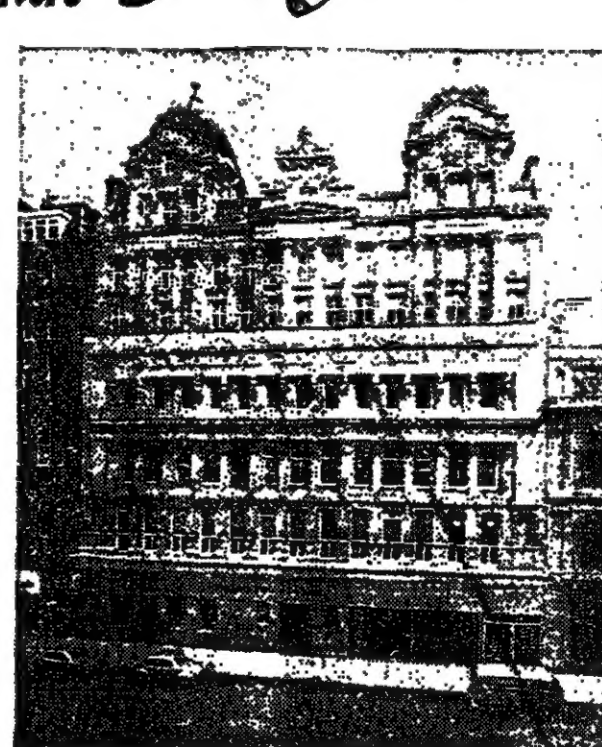
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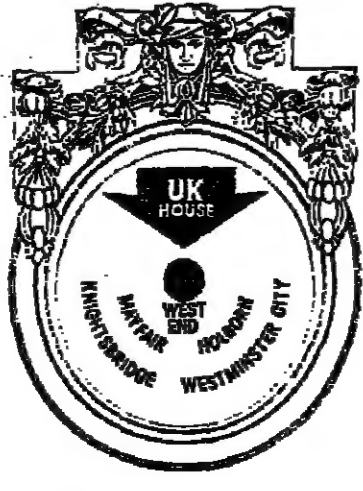
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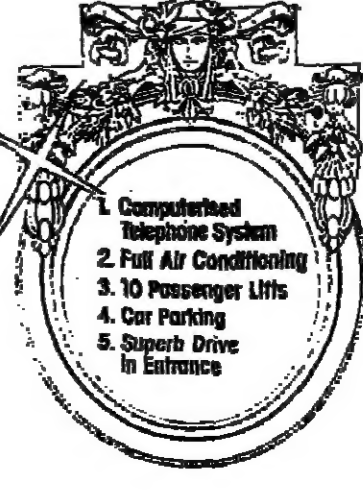
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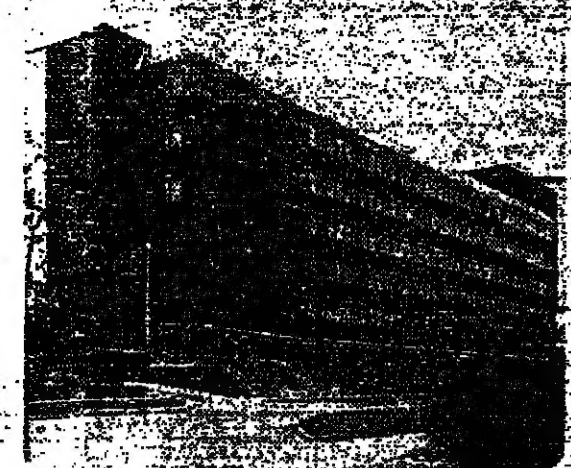
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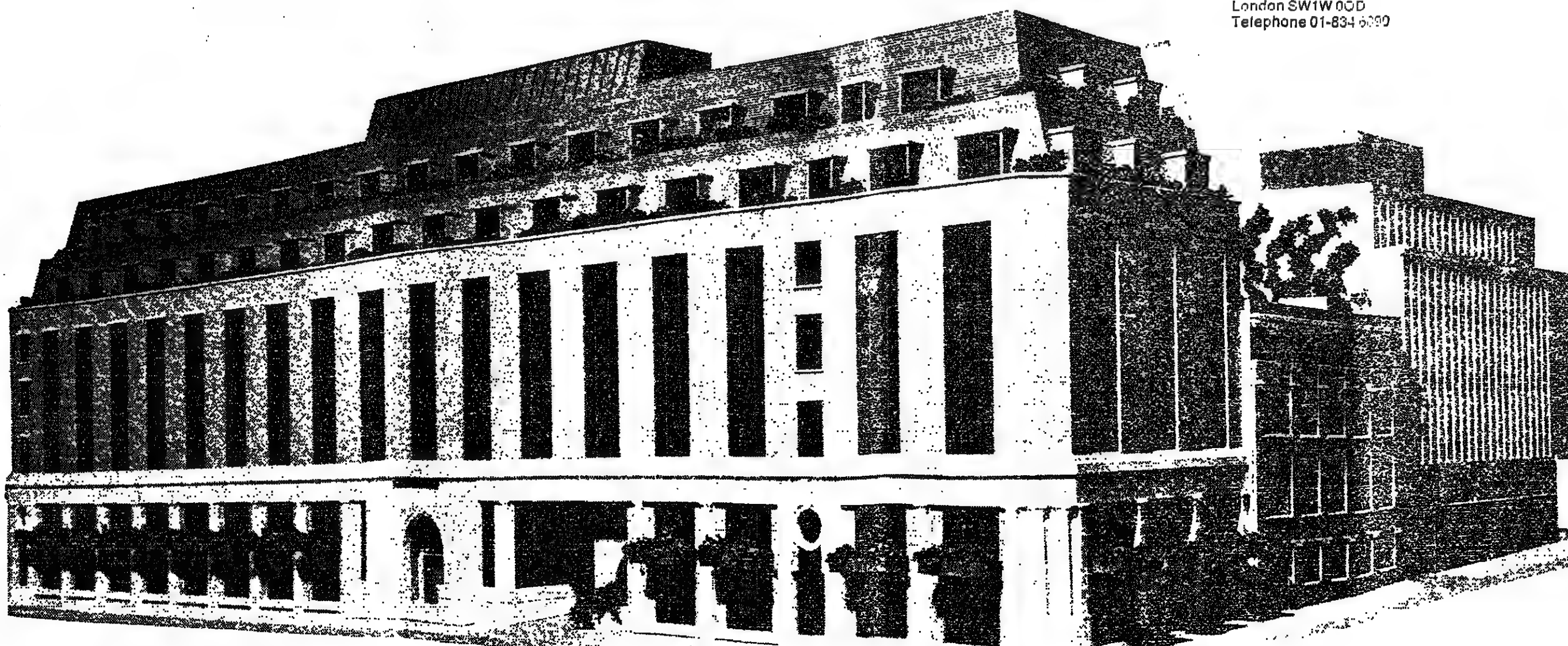
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## PARLIAMENT AND POLITICS

## Callaghan stalls on State industry pay policy

BY IVOR OWEN

MR. JAMES CALLAGHAN, the Prime Minister, refused in the Commons to explain how the Government's 5 per cent guideline for the present pay round will be enforced in the nationalised industries—despite persistent questioning by Mrs. Margaret Thatcher, Opposition leader.

Irritated by Mr. Callaghan's stalling tactics, Mrs. Thatcher tossed a copy of the White Paper "Winning the Battle against Inflation" towards him from the Opposition Despatch Box.

Mr. Callaghan immediately referred to her early Government statements on the incomes policy and told protesting TUC MPs: "It is quite clear I can never satisfy her whatever I say."

## Poised

Undeterred, Mrs. Thatcher renewed her challenge, only to be told by the Prime Minister that Mr. Denis Healey, the Chancellor of the Exchequer, had made the position perfectly clear in his statement to the House 24 hours earlier.

Amid Labour cheers, he added: "Unlike the Opposition, we don't change our policy from day to day on pay or anything else."

Mrs. Thatcher recalled that Mr. Healey had merely referred to the 5 per cent guideline in the White Paper. As she posed herself to toss the document towards the Prime Minister, she snapped: "Which policies, which paragraphs?"

Her gesture brought a roar of approval from the Tory benches, but the Prime Minister made no attempt to provide any further elucidation, or to retrieve the White Paper which flopped onto



Mrs. Margaret Thatcher

the table dividing the two front benches only a few feet in front of Mrs. Thatcher.

Mr. Callaghan also refused to be drawn into comment on the speech by Mr. Tom Jackson, general secretary of the Union of Post Office Workers and this year's chairman of the TUC, in which he attacked union leaders who voted against entering into a new accord with the Government on incomes policy.

Sir Paul Bryn (Con., Howden) claimed that the failure to reach agreement with the TUC showed that the basis of co-operation between the Government and the unions had disintegrated.

Mr. William Malloy (Lab., Ealing North) contended that the co-operation shown by the trade unions over the past two years in wage restraint had not been matched by the CBI in restraining price increases.

The Prime Minister agreed that inflation had to be tackled from the prices end as well. He praised the progress made in the nationalised industries, both in the interval between one price increase and another, and the total amount of the increase.

## Williams 'wins £15m' for school children

By Michael Dixon

EXTRA Government spending of £15m is understood to have been approved by the Cabinet yesterday to save the nucleus of a scheme proposed by Mrs. Shirley Williams, Secretary for Education, to pay means-tested grants to school sixth formers.

The scheme is expected to start on a trial basis in selected areas of the country next autumn. The Government's new Education Bill can be passed through Parliament fairly quickly.

Mrs. Williams originally wanted to institute the scheme nationwide at a cost of £100m, but even a £15m concession would be a notable personal victory for her, especially after Tuesday's adverse decision on incomes policy by the Trades Union Congress.

For several weeks, Cabinet Ministers have been opposing the scheme for fear that further public spending might be viewed by political opponents or the international monetary fund as a faltering in the Government's stance against inflation.

The case for instituting the proposed inducements for children to stay at school beyond the compulsory age of 16, was further weakened by the Cabinet's recent decision to forego savings of between £50m and £100m by limiting travel grants at a flat rate of 5p a day, instead of 10p.

## Participate

In its limited form, the scheme is expected to start in local authority areas with high unemployment among youngsters, and where the number of school-leavers starting on low income is high.

Computations will take place to identify local authorities which are suitable and willing to participate, even though the starting areas will collectively receive only £1.7m from their own resources to fund the grants.

The maximum rate of grant will probably be approximately £7.50 a week, on top of which the parents of each child staying at school will draw £5 child allowance.

The scheme is being offered by the Conservative-controlled local authority associations, which are demanding that central Government should provide 110 per cent of the cost of the grants to compensate for administrative expenses. Instead of 50 per cent offered by Mrs. Williams.

## Left-wingers fail to unseat Hughes

By Elinor Goodman

AN ATTEMPT by Left-wingers to unseat Mr. Cledwyn Hughes, chairman of the Parliamentary Labour Party, failed yesterday when he beat off a challenge from the Tribune Group's candidate, Mr. Norman Buchan, by 159 votes to 88.

Mr. Hughes, a highly-respected backbencher of long standing, had already announced his intention to retire from the House after the General Election. He has been unopposed as chairman of the PLP for the past three years, and it was assumed that he would be again this year.

But the Tribune Group decided to put forward Mr. Buchan in the apparent hope that, having stood for the chairmanship once, he would have a better chance when the job comes up for re-election again after Mr. Hughes's retirement.

The conference, on January 29, will be recommended by the executive to oppose the opening of bank branches on Saturdays.

A special delegates' conference to consider the issue of banking hours is being convened by the union after the opening of the House.

Mr. Hughes said the vote had been a major in favour of industrial action among those who actually voted, but a minority among those entitled to vote.

The disagreement with the banks over the half-day before the Christmas weekend, which the union claims its members should be allowed to take as holiday.

Mr. Mills said the vote had shown that there was considerable support for the union's demand that the banks should be closed on the day.

Barclays is planning a pilot scheme of late week-day opening at 26 branches. Midland is proposing a similar scheme for late opening one day a week, and says that if the project is successful, it might wish to extend it to about 500 branches.

National Westminster is setting up a management-union study group to examine opening hours. Mr. Mills said Lloyds also had proposals on late opening.

The union has withdrawn its warning of strike action within the English clearing banks, over Christmas day, but has insisted that a ballot in four areas should be held in favour of industrial action among those who actually voted, but a minority among those entitled to vote.

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## LABOUR NEWS

## Power workers to seek rises in excess of 5%

BY PAULINE CLARK, LABOUR STAFF

SHOP STEWARDS representing the end of last month when the offer. Last year, the Government narrowly escaped a major confrontation with the power workers when a postal vote on a roughly 17 per cent offer, including productivity, was carried by a 500 majority. Disatisfaction about last year's settlement could now be fanned by the success of the miners' incentive bonus scheme, which is believed to have boosted earnings in some areas by as much as 25 per cent.

The union's priorities in this year's negotiations will include a claim for a 35 hour week, party in holidays with white collar and technical staff, implementation of travel assistance to workers in area boards and at transmission stations, and consolidation of bonuses.

The bottom basic rate for a labourer in the industry is just over 247 a week, while that for a craftsman is about 588. Earnings, however, are raised by a £10 weekly bonus, £3.60 in self-financing productivity, and shift and unsocial hours allowances.

Mr. Jack Burrell, national officer with responsibility for the power industry, said after the conference yesterday: "The power workers are adamant that a 5 per cent pay rise would be totally inadequate. We have considered the Government's and there was absolute opposition to the pay claim which will be drawn up ahead of the March settlement date."

He added that the conference had decided there should be a postal ballot before acceptance of any workers' mood was given towards.

## TASS recognition 'victory' at Bedford

BY ALAN PIKE, LABOUR CORRESPONDENT

THE TANGLE over union representation of senior staff in the engineering industry took a new turn yesterday when TASS, the white-collar section of the Amalgamated Union of Engineering Workers, won recognition at APE-Allen in Bedford.

APE-Allen's refusal to recognise the non-TUC affiliated United Kingdom Association of Professional Engineers led to an investigation by the Advisory, Conciliation and Arbitration Service which failed to recommend recognition, despite strong support.

The boundaries of the recognition agreement will be determined at factory level but, in practice, TASS will be seeking to recruit the same people as the engineers' association.

Mr. Charles Hocking, deputy general secretary of the association, said the implications of the recognition decision were being considered. It demonstrated that there was a need for a separate bargaining union for senior engineering staff, so the association has been arguing for some time.

APE-Allen's recognition of grades of staff beyond those automatically covered by agreements with the Confederation of Shipbuilding and Engineering Unions is similar to existing practice in a number of other engineering companies.

The engineers' association's recognition application at APE-Allen was resisted by the employers' federation and the confederation. In June, Mr. Justice May decided in the High Court that the arbitration service had "misdirected itself in law" and declared void its report which failed to recommend recognition for the association.

It was agreed at the meeting, between federation and TASS officials, that jobs with a significant managerial content would be excluded and that there would be no compulsion on employees to join TASS.

## Union seeks shorter week as price for late banking

BY NICK GARNETT, LABOUR STAFF

THE EXECUTIVE of the National Union of Bank Employees is seeking a four-day week for bank staff as a price for agreeing longer opening hours during the week.

A special delegates' conference to consider the issue of banking hours is being convened by the union after the opening of the House.

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## Postmen to claim 24% plus cut in work hours

By Our Labour Staff

A 24.4 per cent pay claim, and a demand for a 35-hour cut in the working week, which would raise the total to more than 30 per cent, has been drawn up by the Union of Post Office Workers for approval by a special delegate conference.

The demand for a shorter week will be particularly prominent this year, after the failure of the Government to agree a reduction in working hours with the UCU, general secretary, has already said that his members will expect similar concessions.

Mr. Jackson, who is also UPOW chairman, treated 24 hours on Wednesday with fierce criticism of some of his TUC colleagues for not supporting the demand.

Mr. Jackson said the Government's agreement with the UCU on pay prices and inflation. A champion of wages planning, he said the trade union movement had "lost its way" and complained of unions' "rapacious self-interest."

His union defends its pay demand for January 1, estimating by saying that it cannot afford to stand aside if the movement forgets its true purpose and wages and prices race developments.

A UPW conference in Bourne, month, beginning on December 7, will be asked to adopt a claim of 24.4 per cent basic rates (to meet current inflation), 8 per cent on allowances, 5.5 per cent to consolidate into basic rates the pay policy supplement, 3 per cent for longer holidays, and 0.5 per cent for narrowing incremental scales. The pay claim would cost £150m if met, and would add 2p to postage rates, as well as increase telephone rates.

Weekly hours, including meal breaks, range from 41 for telephonists to 43 for postmen. Total basic pay, including supplements is presently, at the maximum, £254.44 for postmen (£212.77 for higher grade postmen), £233.69 for telephonists, and £202.54 for telegraphists and teleprinter clerks (£159.70 a week) for other clerks.

Next month's conference will also discuss the Post Office's £250m "overload" productivity scheme, which the UPW has said is not beneficial enough to many of its 197,000 members.

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## Estate agents inquiry soon

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PRICE Commission is to be asked to examine the charges, and the terms of service, of estate agents. Mr. John Fraser, Minister of State, Prices and Consumer Protection, told the Commons last night.

His announcement was warmly welcomed by Labour backbenchers, but received a sceptical response from the Conservatives.

Mr. Fraser did not elaborate, but it is understood that the reference will be made under Section Two of the Price Commission Act which relates to goods and services.

If the Commission recommends a reduction in fees, then Mr. Roy Hattersley, Prices Secretary, can make an order to this effect under Section 12 of the Act.

A fuller announcement is expected from Mr. Hattersley today. The examination is likely to take six months.

From the Conservative front bench, Mr. Michael Neuberger claimed that the Government was merely seeking to use the estate agents as scapegoats for the recent rise in house prices and mortgage interest rates.

"This is clearly some cosmetic brought forward by the Government to give the impression that something is being done about this very serious housing situation," Mr. Neuberger declared.

He pointed out that in the first nine months of this year, house prices had risen by 21 per cent and were still going up. On top of this, 4.5m existing home buyers had their mortgage rate increased by two per cent.

Mr. Fraser, who was speaking on the Second Reading of the Estate Agents Bill, recalled that an Order of 1970 had prevented agreed scales of fees between

estate agents. Since then, there had been free competition between them.

"The Government recognises that the level of estate agents' charges are of very real concern to many consumers and the amount of fees on any transaction are substantial," he declared.

Mr. Stephen Ross, Liberal spokesman, was an estate agent until five years ago, intervened to say that as a general rule charges by estate agents in the U.K. were below those of any Western country. They were "extremely competitive."

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## 'Butter for Russia' attack by Silkin

BY OUR PARLIAMENTARY STAFF

MR. JOHN SILKIN, the Agriculture Minister, attacked in the Commons the latest attempt by the EEC to sell 20,000 tonnes of butter to Russia.

He told MPs that the deal, shelved for a week, underlined the Prime Minister's remarks at the Lord Mayor's Banquet on Monday that the creation of agricultural surpluses created problems of how to dispose of them.

The way to remove surpluses was to reduce support prices and increase consumption, Mr. Silkin said.

There had been a fuss in the Common Market when Britain wanted a 61p subsidy on butter, and yet none about a 47p subsidy for Russian housewives.

Demands came from both Labour and Tory anti-market MPs for the Government to insist on reforms of the Common Agricultural Policy immediately.

Mr. Silkin assured them that the Government's policy in the next negotiations would be to press for a freeze on all common prices on products in surplus.

Mr. Ian Mikardo (Lab., Bethnal Green and Bow) said the EEC would go on insisting reforms of the Common Agricultural Policy.

He demanded that, unless reasonable progress was made within a reasonable time, Britain's membership of the Common Market should be reconsidered.

Mr. Silkin: "We have made significant progress in the last two years. We shall make even more significant progress in the next year



## The Management Page

EDITED BY CHRISTOPHER LORENZ

WHEN TESCO took the decision to drop Green Shield trading stamps from its 600 stores immediately after Jubilee Day last year it was an historic move for the company in more ways than one. Not only did it represent a fundamental shift in the Tesco trading philosophy—and in the process spark off one of the bitterest High Street price wars for years—but it also emphasised just how far the company had changed from a patriarchal to a participatory approach to managing rapid change in the retailing world.

Tesco has developed from a highly centralised organisation controlled by a small, family orientated group in the early 1960s to a more dispersed operation run by a second non-family generation of management.

Just how successful the move has been will be made clearer next week when Tesco's half-yearly results are announced. They will be closely scrutinised by both the City and Tesco's High Street competitors for signs of profits growth to match the sparkling sales and market share. Sales were up 36 per cent in the last financial year ending February 25, 1978—which only included part of the trading period after stamps were discontinued—and in the full year since that move turnover was up by some 43 per cent. But the increased sales were at the expense of net margins, and pre-tax profits were slightly down at £28.5m.

J. Sainsbury, Tesco's closest rival in the High Street war, revealed last week that it is possible to increase profits as well as turnover. The company's interim results revealed profits up by a quarter while turnover increased by just over 28 per cent.

But since stamps were dropped Tesco's market share has increased by half to around

12 per cent of the packaged grocery market—Sainsbury's market share is around 10.5 per cent—and both the companies are well ahead of the rest of the field.

The decision to drop stamps and adopt an aggressive price-cutting policy under the name of "Operation Checkout" came as the first major shift in the company's strategy since Sir John Cohen, patriarchal to a participatory day last month, gave up effective control of the company's most brilliant coups was the decision in 1963-64 to become the first major supermarket to offer trading stamps—and that which faces all entrepreneurs run companies at some stage—was how to follow on from the man who had dominated the business for so long. The void following Cohen's departure from the day to day running of Tesco was first filled by his son in law, Mr. Hyman Kreitman (from 1969 to 1973) and then by his other son in law, Mr. Leslie Porter, the current chairman.

While Mr. Kreitman's period as chairman (he is still on the main board) can now be seen as the interregnum to Tesco's management transition after Cohen, the accession to the top by Leslie Porter also coincided with the emergence of a new generation of younger professional management within the company.

This new breed—typified by Mr. Ian MacLaurin, the first non-family managing director of the company—had largely worked their way up through the ranks and thus were well grounded in the Tesco retailing philosophy. Four out of the five regional managing directors, who are all in their early 40s, are products of Tesco's in-house recruitment and manage-

## Tesco under a new breed of managers

BY DAVID CHURCHILL

ment development policy. MacLaurin himself joined Tesco as a trainee manager at age 22. It is to Leslie Porter's credit that he encouraged the development of a new management style which relied less on patriarchal decisions from the top and more on a decentralised approach with responsibility delegated down the line to where it mattered, in the stores.

This switch in style, for example, is illustrated by the fact that the eight-man Tesco properly committee now takes decisions on new stores, sites on a strictly democratic basis, in the old family-dominated days the chairman's decision would have been final, whatever his other colleagues thought.

The decentralised management structure is based on five regional managing directors to whom individual store managers are initially responsible. But Tesco's head office at Chesham in Hertfordshire still retains responsibility for buying, marketing, distribution, and stock control.

But while Tesco was going through a management upheaval after Sir Jack relaxed his grip, it was also going through a trading patch. Its sales, and profits growth—and consequent Stock Market rating—in the

early 1970s were sluggish and the aggressive image built up over the years, by Cohen and reinforced by the Green Shield move in the mid-60s, had become tarnished. Tesco, which was always used to leading from the front due to Cohen's entrepreneurial flair, suddenly found itself without a positive marketing strategy.

Yet through the 60s and early 70s the executives who were now emerging at the top had been quietly moving the company away from its traditional trading base of a down-market, cut-price food chain. By the mid-60s it was becoming clear that total food sales were stabilising as, after consumers had spent a certain level of disposable income, the extra went on durable items rather than on food. This has been borne out in the 1970s as Government statistics show that expenditure on food has, in proportion to total income, slightly declined.

The Tesco response—and an example of how it responds to external change—was to diversify into non-food items on which consumers were likely to spend their excess disposable income. Non-food goods also had the advantage of earning higher margins than food sales. But such a move demanded more

space—which the then Tesco stores were too small to provide. Subsequently, therefore, the 1970s has been marked by a steady trading up of Tesco store sizes and the closure of small (under 5,000 square feet) stores. In 1977-78 alone Tesco closed 58 small stores, while in the last six years it has opened almost 100 stores, many of 20,000 sq ft or more, and will add another 600,000 sq ft of large store space to its total by the end of the year.

And while half Tesco's stores are below 5,000 square feet in size, they account for only 15 per cent of the total selling area. In 1972 these small stores accounted for some 30 per cent of selling space.

The diversification into non-foods has meant that only some 61 per cent of the total selling space is now devoted to food. Tesco is also experimenting with some of its smaller sites by retaining the properties instead of selling them—and developing them as fast food, take-away outlets. Already it has opened two such stores—under the trading name Bake n' Bite—and has plans for a further four. If they prove successful then Tesco plans to open more. The fierce price inflation of the 1970s had made most house-



Mr. Leslie Porter (left), chairman of Tesco, and Mr. Ian MacLaurin, the first non-family managing director of the supermarket group. The new breed of non-family management has largely worked its way up through the ranks and four out of five regional managing directors, all in their early 40s, are products of Tesco's recruitment and managing development policy.

hard line and Porter and MacLaurin became even more convinced that the decision to drop stamps was right not only in the short term conditions of the mid-1970s but also to provide a more adventurous strategy for its trading operations in the 1980s.

Tesco's greater than expected success, however, also put it in the embarrassing position of straining almost to the point of breakdown its distribution system—one of the most vital ingredients in a successful retail operation. In April, 1977, Tesco's grocery warehouses were handling some 1.75m grocery units per month; just after "Operation Checkout" was launched, the figure was 2.4m and a level just below this has been maintained ever since.

Tesco responded to the pressure this caused by locating and opening a new 100,000 sq ft warehouse within three months of the Checkout campaign starting at a cost of about £1m. Since then, the company has made plans for a further expansion of its distribution network to cope with any future upsurge in sales.

Not surprisingly, Tesco's overall success in changing its management style and aggressively adopting a new trading philosophy has revitalised the company's image and made it an obvious target for takeover rumours. One of the most persistent suitors is believed to be BAT Industries which has been conspicuously unsuccessful in its previous grocery retailing aspirations, notably with International Stores. But Tesco would have renewed its five-year agreement with the trading stamp company when it expired in June 1977. But Tompkins maintained a

## A watchful eye on Dutch companies

ITS NAME is unwieldy and its office Spartan but in the Netherlands the "Foundation for the investigation of business information"—SOBI—can claim an impressive list of achievements in its first two and a half years. By a series of actions brought against companies charging incomplete or improperly drawn up accounts SOBI has already made a considerable impact on the body of company law in the Netherlands.

It was founded in April, 1976, by Mr. Pieter Lakeman and a few friends to ensure that everyone involved in a company's activities—shareholders, employees, works councils and creditors—was as well informed as the directors. It is prepared to carry out investigations and give advice to anyone who approaches it, while it also undertakes work on its own initiative.

SOBI looks at annual reports, prospectuses, half-yearly and quarterly reports and other public statements by companies, to see if they conform to company law. If it comes across what it thinks to be improperly drawn up or incorrect statements it will take up the case with the Business Chamber of the Amsterdam court, with the public prosecutor's office or with the disciplinary council of the Institute of Dutch register accountants (NIVRA).

SOBI was born out of the more broadly based "Foundation for Socially responsible shareholding" when Mr. Lakeman realised the need for more detailed information about companies.

Surprisingly, in a country noted for its social conscience

and the readiness of its citizens to protest against abuse, nothing existed in the business sphere until SOBI came along. "It provides a rare combination of legal and economic expertise," Mr. Lakeman says. "Accountants and business consultants tend not to know much law while lawyers have no economic background." With Lakeman to provide the economic know-how the legal input comes from lawyers on SOBI's advisory council and from other lawyer contacts.

After studying economics in Amsterdam, Lakeman joined the Rotterdam shipping company Van Ommen where he became the head of their small operations research department. "I had a very good job but I thought I should develop over a broader area. After three years I left to set up SOBI. I feel more satisfied with my work now. I feel it is more useful."

Mr. Lakeman, now 38, is not on the payroll of SOBI. He is living on his savings from his time with the shipping firm and on fees for writing articles. "Friends doubted if SOBI would succeed but the first two to three years have gone as I expected."

Challenging company accounts is not SOBI's only activity but it is the most visible part and one which up to now has taken up a great deal of time. Its success rate to date is 31 wins to 14 defeats. SOBI's first success came a month later when the business chamber quashed the 1974-75 accounts of the foundry and metal products company Vulliammoord and ordered the Board to prepare a new set. After a further delay in producing the accounts SOBI sought an injunction. The court ruled again in SOBI's favour but decided not to press for the accounts to be made up on the grounds that the company had been placed in the hands of the receiver. SOBI is about to appeal against this decision.

## Pressure

It persuaded the court to order the since-liquidated starch and foodstuffs group Scholten-Honig (KSH) to produce an attendance list of the 1977 shareholders meeting in order to be able to call an extraordinary meeting to bring pressure on the company's management. KSH appealed but the original judgment was upheld. Continuing to take a close interest in KSH's troubles, SOBI succeeded in getting the business court to annul the company's 1974-75 accounts. The supreme court is still considering KSH's appeal, while SOBI now plans to seek a court order for KSH to produce properly-audited figures for 1976-77. It has so far only produced provisional results. The half-victory was the acceptance by the court of part of SOBI's action against the Amsterdam company Eggerding to get it to produce full accounts.

SOBI's challenge of the 1975 accounts of Holland Amerika Lijn Holding is still before the court and Lakeman is now preparing to contest the 1977 accounts. The court's judgment on actions against the transport, storage and property concern Pakhoed Holding and the Van Gelder paper group are expected early next year.

SOBI expects the number of court actions to decline as a body of law is built up. Although

SOBI's legal costs are low because it conducts its own actions and can call upon the help of friendly lawyers for advice, court cases are still costly and time-consuming. A reduction in court appearances would leave time free for the more profitable investigations for works councils and other bodies. Companies must pay for these investigations even if the outcome is not to their advantage.

How have accountants reacted to SOBI's challenge to their work and reputation? "In the long term SOBI's work is in the accountants' own interests," Lakeman says. "In the short

term though, they feel left out in the cold." SOBI's activities have already led to a strengthening of the accountant's hand as directors attempt to persuade him to put a favourable interpretation on the accounts. "I hear that directors are now being confronted by their accountants who argue 'We cannot do that or we will be taken before the business chamber by SOBI,'" he says, with understandable satisfaction.

The vagueness of legislation has meant companies could put pressure on accountants. "Since the accountant is paid by the company, the directors can put

pressure on him. The directors can say: "Look, this is not for hidden," and that is true, because in many areas little was forbidden."

Lakeman welcomes plans for a European community directive to require companies to draw up their accounts according to a uniform set of rules. This is expected to come into force in mid-1980. But the setting-up of the Dutch business chamber indicates that the Netherlands is already well advanced with its own regulation.

The growing volume of Dutch—and eventually European—legislation will mean SOBI can devote more time to investiga-

tions for works councils, shareholders and others. Lakeman sees a growing need for investigations into the circumstances of company liquidations. He feels this is an area where creditors in particular have not come off well in the past.

Lakeman is at present chairman of SOBI but it plans to make him a salaried director. It also plans to seek a subsidy from the Government. "We perform a public service, which is really the task of the public prosecutor," Lakeman says. "We carry out public work without the disadvantages of being a Government department with a bureaucratic apparatus. We don't want the subsidy to become our only source of income though. I'm fairly confident we will get it."

Charles Batchelor

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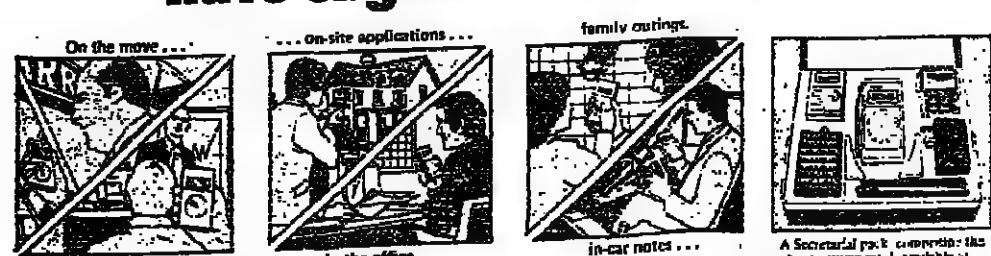
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Friday November 17 1978

Calculated  
obscurity

ON THE FACE of it, the money supply figures for October, just published, do little to explain the decision last week to raise interest rates by a point more than the market had already dictated. The officially defined money supply, as the Chancellor had already indicated, has grown at an annual rate of only 7.4 per cent in the first half of the financial year—below the official range of 8-12 per cent. Domestic credit expansion, at £2.5bn, is again well within bounds—only about 40 per cent of the £8bn allowed for the year has yet been taken up.

## Out of hand

It is true that the first signs of the much-discussed funding crisis did at length appear in banking circles for the first time: sales of central government debt of all kinds fell sharply below the monthly average of about £500m required for reasonable comfort (and £600m would be much better), and net sales of gilt-edged stocks almost dried up. One might suspect the authorities of making another (and highly successful) attempt to break a log jam in the gilt market by raising short-term interest rates high enough to generate hopes of a fall—what has become known as the Duke of York strategy. However, this is to confuse cause with effect. The gilt market dried up because of a general feeling that despite the official figures, credit expansion was getting out of hand. It has revived not because rates are expected to fall again, but because the rise in MLR convinced the market that the authorities were aware of the trouble and willing to check it.

It may seem ironic that as a sign of a definition of the money supply becomes the objective of official policy, it begins to become misleading—and it is certainly ironic that the most continued monetarists among analysts have been most willing to be deceived. However, the trouble is inevitable, and has been experienced in every country which has enforced monetary targets. If the authorities close to control the note circulation rather than any broader definition of money, the banks would encourage their customers to draw 50p pieces. When the banks in Ireland went on strike, the public made do with undressed chickens and English notes. Liquidity and credit can take so many forms

that however widely the official net is drawn, many fish will escape. The authorities must always observe not only their catch, but get some idea of general conditions, and adapt their policies accordingly.

The possible sources of distortion are numerous. The most discussed are the forms of private lending which by-pass the banking system—namely the sale of accepted bills to non-bank investors, which have been growing sharply since the imposition of the corset regulations forced banks to limit the growth of their own books. This takes the place of the on-lending of deposits by the banks, but is not measured either in the money supply or in DCE. Another, less discussed, is the proper weight to give to official sales of certificates of tax deposit. So far as these are used instead of money to pay taxes, they can hardly count as any form of funding of the public sector deficit. A third arises when the local authorities effectively go into the banking business, bidding for the seven-day deposits which the banks do not wish to take for fear of exceeding their official limits, instead of borrowing from the banks.

## Understate

In these and many other possible ways, such as direct inter-company lending (which still appears subdued) or non-bank investment in Treasury Bills which has actually fallen, the growth of credit and liquidity can proceed outside whatever has been chosen as the official measure. What the market noticed was that both the narrow definition of the money supply was rising at an annual rate of about 11 per cent, and that various unofficial broader definitions also suggested much faster growth than the official measure—near the top of the limit rather than the bottom. Equally domestic credit, allowed for lending diverted outside the banking system and for some rather debatable "funding," is probably some way ahead of its permissible growth. Official action was expected, and has followed. By their action last week, the authorities let the monetary cat out of the bag: they implicitly admitted that official measures understate the problem. What remains to be seen is whether the Government will draw the right fiscal conclusions.

Decision time  
for shipyards

BRITISH SHIPBUILDERS has had two main tasks in the 16 months since the industry was nationalised. One has been to reduce its current rate of loss which earlier this week it reported as having totalled £108m—after drawing some £46m from the Government fund for subsidising new shipbuilding orders—during the corporation's first nine months. The other has been to lay plans for raising the industry's performance and efficiency so that it may hold its own without Government support when the market recovers sometime in the 1980s. This latter task is the subject of the corporate plan which the corporation is now about to present to Ministers, and one of the key issues that has to be decided is the amount of capacity the industry should plan to retain.

## Minimum flow

A case could be advanced on several grounds for keeping the industry at broadly its present size. First, the industry did not expand during the past 30 years when others, such as Japan and many developing countries, increased their capacities many fold. Second, the British merchant fleet, still the fourth largest in the world, provides a substantial home market base which is absent in many other shipbuilding countries. Third, there could be said to be a minimum viable size for a shipbuilding industry in terms of labour skills and experience, research and development potential, back-up supply industries and economies of scale. Finally, British labour costs are relatively low by European standards and this could help to put the industry in a better competitive position than its nearest international rivals.

Even however if a minimum flow of orders could be won in the face of the worst ever slump in demand for new ships and a considerable underlying problem of world over-capacity, the cost would be very great indeed and this would inevitably drain away funds for investment and modernisation. According to the leaders of the shipbuilding trade unions with whom British Shipbuilders has been discussing its proposals, the corporation has buying time.

estimated that to maintain the industry at about its present size would probably require an intervention, or subsidy, fund for new orders almost four times as large as the present limit of £35m a year. On top of that, further sums would no doubt have to be provided to meet production losses.

There has been some talk of advancing parts of the naval shipbuilding programme and also of an international scrap and build programme for merchant ships. The main problem lies on the merchant shipbuilding side and the industry's ability to win whatever orders are going will depend not only upon price but also upon its customers' confidence in its performance and delivery. Although some yards have shown that they can compete with Japan on equal terms, the majority are long way behind in international productivity comparisons. In short, there is no option other than to trim the industry's labour force and close down yards, not simply in order to reduce capacity, but in order to improve efficiency.

British Shipbuilders' own preferred option is believed to be a relatively moderate cutback, involving in all about 12,000 jobs or about 30 per cent of its merchant shipbuilding labour force, rather than a more drastic retrenchment. This would mean increasing the intervention fund to about £110m a year for the next three years. The initial hostile trade union reaction expressed at Newcastle yesterday was to be expected. A bigger test will come when the Government is faced with the corporation's detailed proposals for shipyard closures. Are these to be decided on grounds of political expediency or industrial efficiency? Some feather-bedding is to be expected at a time of heavy unemployment, but Ministers should have learnt from their experience with British Steel that there is nothing to be gained, and much to be lost, by deferring industrial restructuring. Almost £300m of public money has already gone into the industry in the past decade, but the corporation has buying time.

## PETROCHEMICALS INVESTMENT IN THE UK

Working party row spotlights  
limits to industrial strategy

SOME OF the inherent weaknesses in the Government's industrial strategy were highlighted on Tuesday by the failure of chemical companies and trade unions to agree on investment plans for UK petrochemicals. And more fireworks from the trade union side about that failure to agree are expected today at the TIC's industrial strategy conference in Newcastle on the chemical and plastics industry.

The disagreement between the two sides took a spectacular turn when union representatives on the tripartite petrochemicals sector working party—one of 39 groups set up under the aegis of the National Economic Development Office—accused the multinationals of trying to "sabotage" the industrial strategy completely. The unions want to see substantial investment in Britain's petrochemical industry and they are furious about the much more cautious line being taken by company managements.

The unions have some strong arguments for that, saying the chemical companies should invest heavily in the UK in order to prevent Britain falling even further behind its European competitors in the plastics materials market. But the case they are putting forward ignores whether it is economically sensible to take a nationalistic approach to investment in an industry that has a strongly international structure.

One of the reasons the two sides have now failed to agree on a common investment policy is that they cannot agree on the likely future growth rates of the demand for plastics materials. Investment decisions must hinge on market forecasts and the chemical majors have been understandably loath to reveal their own predictions to their competitors—UK industrial strategy or no UK industrial strategy. This is partly why NEDO commissioned McKinsey to make an independent report on investment strategy options based on some confidential information.

The McKinsey report should have provided a solution to the problems of market forecasting and commercial secrecy. But the sector working party decided to sit on it for over a year. When it was finally published officially on Tuesday there was plenty of room for all sides to say that McKinsey's projected growth rates for plastics materials demand—between 6.5 per cent and 7 per cent a year until 1990—were outdated and therefore open to question.

This paved the way for a broad disagreement about which of McKinsey's three strategies should be followed by the petrochemicals industry. All three options were aimed at balancing trade in plastics materials between the UK and the other members of the EEC by 1990. The first option was to delay investment as long as

possible; the second was to invest sufficiently to protect the home market; and the third was to invest heavily and so steel a march on the rest of Europe as soon as the upswing in demand occurred.

Union representatives on the sector working party are firmly in favour of the last and boldest option. Company representatives think this would be unnecessarily foolhardy given the present overcapacity in plastics materials in both Britain and the rest of Europe. They also say that McKinsey's market growth forecasts are now over-optimistic and they want to follow the second option—although investing rather more than would be strictly necessary to protect the home market.

"Specific decisions on investment must depend on the actual company situation at a given time with respect to individual products," says the Chemical Industries Association on behalf of the management representatives on the sector working party. "Investment by UK-based companies overseas will continue to be necessary in particular cases to complement UK expansion, and general statements on long term investment levels for aggregated groups of products in particular locations are not relevant to the realities of the situation."

No special  
advantage

"Nevertheless it is clear that companies in the petrochemicals and plastics sectors are currently investing within the UK at a rate which will enable them to grow faster than their Continental competitors. North Sea oil and gas provides a basis of secure supplies of feedstocks for this expansion and strengthens the UK economy generally. But they do not give UK petrochemicals and plastics producers any special economic advantage over their competitors and do not justify a pre-emptive strategy. Such a strategy would place the UK industry, and the jobs it provides, at grave risk."

The trade unions point out with some heat that between 1963 and 1975 the UK's share of Common Market plastics materials production fell from 22 per cent to 13 per cent, that the trade deficit on plastics materials with other EEC countries reached £163m last year and is expected to rise to £220m by the end of this year, and that while the sector working party has been dithering over the McKinsey report imports of plastics materials have risen from 30 per cent to 36 per cent of the UK market in value terms.

"Imports of plastics totalled £520m in 1977 and around 75 per cent of these came from EEC

countries," the trade unions say. "It is against this background of a serious and deteriorating balance of payments position—with the EEC that the trade union members of the petrochemicals sector working party take the view it has fallen down on its task of setting import and export targets and spelling out how these might be achieved."

The unions are directing most of their anger against companies like BP Chemicals and Imperial Chemical Industries which have invested on the Continent.

Yet it is extremely doubtful whether any UK-based chemical major would find it feasible to put all its investment eggs in the British basket—no matter how patriotic it were. Experience suggests that in order to gain a real hold on Continental markets it is necessary to have at least some production on the spot. This is partly because of the transport costs involved in sending products from the UK to West German, French or Italian markets and partly because of the attitude of Continental customers.

ICI points out that it would not be in the UK's national interest for chemical companies to build plants in Britain and then find they were unable to sell the materials produced there.

ICI adds there is "no way" that future European demand for a material like ethylene could be met from British production. It says ethylene—one of the so-called building blocks of the chemicals industry—would simply be too expensive to ship abroad and companies which tried to do so on a large scale would be priced out of the Continental market. Ethylene and propylene are both used in the making of plastics materials and both are simultaneously produced from the same plant—a cracker.

It is estimated that 78 per cent of the ethylene produced in Western Europe is used in the making of plastics and resins. But only 51 per cent of the propylene produced is used to make plastics and resins. This means that a company which builds a cracker has to find a market for the rest of its propylene—used to make solvents and detergents as well as plastics—and this could necessitate investment in a Continental cracker if the only outlets are on the other side of the Channel.

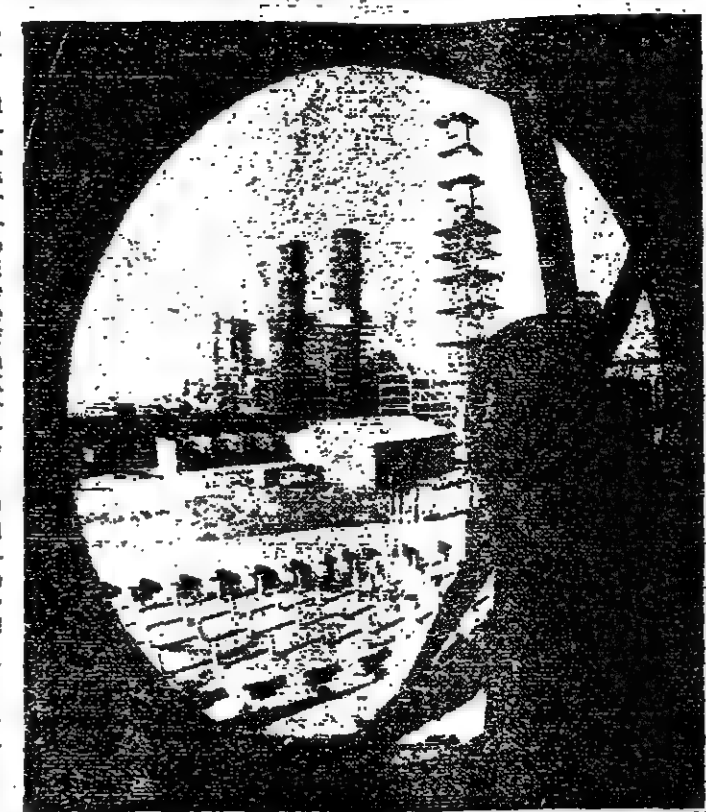
BP Chemicals says one of the main reasons it has been making acquisitions on the Continent over the last year has been the need to safeguard outlets for materials produced in Britain. It adds that it has purchased plants to which it was already supplying UK produced feedstocks. There would therefore have been no point in building anew in the UK and duplicating plants that already existed on the Continent.

## UK TRADE BALANCES IN PLASTICS MATERIALS

	1972	1973	1974	1975	1976	1977	1978*
Deficit with EEC	- 32	- 56	- 138	- 66	- 136	- 143	- 220
Surplus with rest of world	- 59	+ 44	+ 132	- 120	- 160	+ 193	+ 170
Overall balance	- 27	- 8	- 6	- 54	- 24	+ 30	- 50

\* In 1978, the year is estimated from comparable headings (562 and 563) for the first three quarters.

Source: Overseas Trade Statistics of the UK



Construction of the BP/ICI ethylene cracker at Wilton on Teesside. The project is two years behind scheduled completion.

The way in which Continental plants under UK ownership can stimulate British production and exports by acting as outlets is called the "pull-through effect." All the multinational chemical concerns set great store by this when arguing about investment policies with the unions.

They claim that their Continental operations are not only necessary because of the structure of the industry but are also beneficial to the UK. The unions have not directly contradicted this but they have understandably demanded some hard facts and figures about the degree of advantage the "pull-through effect" confers on Britain.

The companies also stress that while they are not prepared to adopt the third of McKinsey's options—heavy investment in the UK—they are still doing a good deal to back Britain in the chemicals sector. ICI alone expects its net exports this year to be worth about £700m and Mr. Martin Trowbridge, director general of the Chemical Industries Association, says that by the end of this year the rate of investment in UK petrochemicals will have risen to a "record

have been avoided if the sector working party had looked at the contradiction between a UK industrial strategy and the international nature of the chemical industry" at the outset—long before it decided to commission McKinsey.

The companies are at last beginning to recognise the risks of allowing people to pin their hopes on the achievements of the NEDO sector working parties. Mr. Gerard Fairclough, who has just given up the managing directorship of Shell Chemicals UK, said last month: "I feel there is a real danger in expecting too much from NEDO in the form of definite action, since an exaggerated expectation could lead to the good communications which we now have being replaced by the presentation of prepared, politically orientated statements."

"Recognition of NEDO's limitations increases rather than diminishes its value. It is only by common understanding between all the parties connected with our industry that we can hope to solve our problems."

As a prediction, Mr. Fairclough's words have proved to be spot on.

The question now is whether the petrochemicals sector working party will be able to forget its irreconcilable differences about investment strategy and start looking at areas where it might be able to make some progress. It could, for example, consider ways of putting pressure on the UK construction industry whose record for late completion dates is deterring foreign companies from investing in chemical plants in Britain. Monsanto's acrylonitrile plant at Seal Sands on Teesside and the ICI/BP ethylene cracker at Wilton on Teesside are both two years behind scheduled completion. There is no doubt the chemical companies would welcome support from trade unions in tackling this problem.

Whether the petrochemicals sector working party will work out a useful role for itself within the industrial strategy framework remains to be seen.

But its performance to date suggests that the "high hopes" which Cabinet Ministers placed in the strategy as a way of raising investment hopes among the chemicals trade unions have been misplaced.

The petrochemicals industry, with its comparatively high growth rates and good record on industrial relations, appeared to be an ideal candidate for tripartite planning. Perhaps one reason for its failure to live up to expectations is that investment was too ambitious an issue to tackle. Companies and unions might have done better strategy for the plastics materials industry in Britain, themselves, solving some of the smaller and fruitless. Yet the waste of time, effort and money might facing the industry today.

## MEN AND MATTERS

Exodus from  
EMS corral

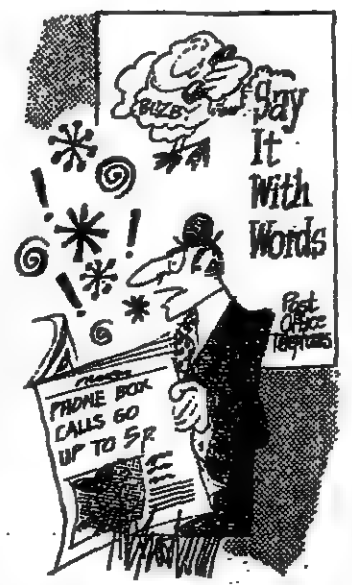
The European Parliament's inept handling of the debate on the European monetary system has raised a multilingual chorus of Euro-dismay.

After a week of debate on less-than-enthralling subjects, discussion finally began at 4 pm yesterday on one of the most important EEC issues for at least five years. By then, Roy Jenkins, President of the Commission, having pleaded in vain for the agenda to be changed, had left Strasbourg for Brussels to welcome the President of Kenya to Europe.

He was not the only one absent. When he sat down, the Labour Peer, Lord Ardwick, who opened the debate, was practically the only British MP left in the chamber. The rest, without a charter flight home today, caught evening flights home for the weekend. And even before the debate began Gailfili and Irish Fianna Fail MPs had packed their bags to get away to a joint political jamboree in Cork.

Despite warnings throughout the week of such an exodus, the Parliament's procedural pedants could not be budged. The reason, it was said vaguely, was that the debate could not be held without the German finance minister or his deputy. So, yesterday morning, impatient MPs grinned and bore it through debates on tinued pineapples, the de-gemming of maize, and trade in oils and fat with Greece.

By late morning even these complex subjects were exhausted and it seemed there might after all be an early start to the EMS debate. This was to be under-estimated the Dutch Vice-President, Cornelis Berkhouwer, who promptly adjourned the session for a 20 minute lunch hour. More MPs left.



It is doubtful whether even the necessary quorum of ten MPs will be present this morning, when the votes are supposed to be taken.

The faithful few will at least be able to get on with the urgent tasks of estimating EEC tobacco consumption (smoking, chewing and sniffing). After that there is a proposal to align the Community's laws on tractor-towing books.

## Worms in the mind

Some say it started in Chattanooga, Tennessee. Others claim to have heard it in Atlanta. Wherever it started, the rumour that McDonald's Hamburgers contained red earthworms to boost their protein content has not helped sales in the South East U.S. McDonald's became so alarmed by the mass cancellations of children's parties in the Atlanta area, and by the constant inquiry "How many worms do you put in each burger?" that it called a Press conference in Atlanta this week

to try to kill the rumour.

The company proudly produced a letter from the Agriculture Secretary testifying to the regular checks on the company's meat.

McDonald's is getting used to such debacles with the public consciousness. A few months ago it was whispered, more colourfully, that some of the company's profits were devoted to a San Francisco Satan-worshipping cult.

A minor consolation is that such rumours hit competitors too and these have also this week been protesting the purity of their products.

## Emptying bowl

All summer we read how Thames Television was recruiting the Brightest and Best of BBC TV's producers. Autumn came and it was the turn of the video engineers. Now when I told a TV reporter that I had had trouble reaching him he complained: "Independent television is taking our telephonists today. It will have the canteen staff tomorrow." Thames were quick to reject such heinous accusations. "The BBC has its begging bowl out. It always complains when licence fees are being considered."

Thames was quick to assure me that none of its telephonists come from the BBC and one BBC telephonist blandly told me: "Our grade is good. We are satisfied." But elsewhere the lure of the higher salaries is apparent. It has lost 60 fully trained people from its engineering side and is short of 35 video camera crew. I was told. Further it is only meeting half its recruitment targets. While the canteen situation seems safe, the would-be stars be warned. The make-up department has lost 23 people since January 1977—nearly half of them to independent television.

## Music makers

Admirers of Schubert will be able to indulge in something of a musical banquet this weekend, the 150th anniversary of his death. At St. John's, Smith Square, the Argentinian pianist Alberto Portuguez—who bears a strange resemblance to the composer—is giving a recital of three sonatas at 7.30 pm, the exact hour of Schubert's death.

There is also a commemorative mass in Westminster Abbey on Sunday. And for those interested in Schubert's more obscure work, the Austrian Institute has arranged a concert at All Hallows tomorrow, when Martin Haselbock will give a first London recital of three recently-discovered Schubert organ fugues of 1812.

He tells me they were found in the library of the Vienna Male Choir Society two years ago, among papers of minor composers. But only this year was the handwriting recognised as Schubert's—one fugue was even scribbled over three cover pages of music by another composer. There is only one other organ fugue known to have been written by Schubert. How good are they? "Ah, that's always the question," says Haselbock. "They are not his very best work. One is classical in style, but the others are a little bit wild."

## Only asking

The Banque Nationale de Paris in London tells me it has a charming letter on its files. "Dear Sirs," it reads. "Thank you very much for inviting me to lunch. Does this mean my credit is good or that I owe so much money you are beginning to worry about it?"

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## FINANCIAL TIMES SURVEY

Friday November 17 1978

مكتبة الأصيل

## Frankfurt

Frankfurt has become the financial capital of West Germany and, as such, one of the major business centres of Europe. But the rapid pace of development in Frankfurt—now one of the richest cities of the Federal Republic—has produced what many regard as 'a city without a soul'

## Business centre of West Germany

By Guy Hawtin

## Frankfurt Correspondent

FRANKFURT CAN fairly be described as the financial capital of West Germany, but it is capital of nothing else. The fact that it failed to become capital of the Federal Republic can be blamed on Dr. Konrad Adenauer, the first prime minister of the Federal Republic, although as a former independent city state, it had no claim to be the capital of the State of Hessen in which it is located.

But if Frankfurt has been short-changed in this respect, fortune has smiled on it in others. For a start, it is one of West Germany's richest cities and is likely to remain so as Germans and foreigners flock to it for business.

Frankfurt has been described by many of its detractors as 'a city without a soul', but this hardly does the place justice. Certainly, it is brash, new and aggressive. Yet, it has a character which has survived despite a massive influx of 'outsiders' both from within and without the borders of the Federal Republic.

When the allied bombers descended on Frankfurt during World War II, Europe lost one of its architectural jewels. The closely built, timber-framed houses in the city centre burnt like tinder and it is a tragedy that there has been so little reconstruction in the manner of Nuremberg and Munich.

Today's Frankfurt is dominated by concrete and glass monuments to Mammon, stretching towards the haze which hangs over the city for much of the year.

"Oh my god," an American visitor to the city once remarked, "it looks just like Indianapolis."

Frankfurt is not entirely to blame for its failure to reconstruct in a manner more in keeping with its ancient traditions. After the war, materials were scarce and it seemed that the city was to become the capital of the new Federal Republic. However, that said, the Social Democrats, who until recently dominated the City Government, could have shown a little more concern and

imagination after the immediate emergency was over.

Instead, a wave of speculative property development in the 1960s and early 1970s destroyed much of that which remained at the heart of the city. The Roemer, the huge cobbled main square has been left bare but for the reconstruction of several buildings, including the fine old city hall, the cathedral and fine little Gothic church.

## Restoration

Even the old opera house was left a bare shell, despite many attempts to force the city council to restore the building, which was financed by Rothschild money and modelled on the Paris Opera. The best the council could come up with was the solution that it should be demolished—a suggestion that was vociferously rejected—but it was not until last year that restoration work started.

The council has been accused of permitting the wave of property development to drive people out of Frankfurt. Indeed, the population has fallen in the past five years. In 1972 it boasted a population of 673,000, but by the first quarter of this year, it had fallen to 638,526.

Certainly, homes were to some extent replaced by office blocks, but this is not necessarily the basic reason for the population decline. The city is well served

by an excellent rail service and has constructed a "Sennelbahn" local rail system which rapidly transports commuters from the city where they work to the small villages that have grown into dormitory towns.

The Germans are, one can say, addicted to the countryside and the coming of the motor car, increased prosperity and a much-improved rail system has obviously been an incentive to many former city dwellers to move to the equivalent of "mon repus" in the hinterland.

Frankfurt's climate is also an incentive to get out of the city. For people who were not born and bred in the place—and that is the majority of the population—it is very hard to bear. The area is located in a "kessel" or "cauldron" surrounded by high land and the city is subject to regular thermal inversions which give many people splitting headaches and make the majority of sufferers extremely irritable.

While many people who have never suffered from the effects may find it far fetched, doctors here claim that there is an increase in road accidents during these thermal inversions, that the recovery rates from operations decline and that there is an increase in heart attacks.

It is nothing unusual for surgeons to call for weather reports before scheduling opera-

tions and, the weather bureau provides them as a regular service.

Frankfurt is not exceptional in this particular weather condition. Bonn is arguably worse and most towns in a river valley, particularly along the Rhine and main rivers, suffer from it to some degree or another. In Munich, capital of Bavaria, there is an even more unpleasant condition—the fog—which makes life even more unbearable.

However, even dedicated Frankfurters, people who would live nowhere else, attempt to move out of the place, often every weekend. Usually they head for the heavily forested Taunus Mountains to enjoy walking in the crisp fresh air which is so often lacking in the city. In doing so, their convoys of cars make life in the fashionable dormitory towns extremely difficult.

But despite its climate, there are many rewards to be gained from living in the city itself. With such a relatively small population for such an important financial and industrial centre, Frankfurt is on a human scale. It is by no means as impersonal as New York or Houston, for instance.

While no police chief will ever admit that the crime rate is anything but a cause for deep concern, the streets are safe and the only hazard to children is fast moving traffic.

Traffic in Frankfurt moves very quickly for a major city—

a tribute to the infuriatingly thorough one-way street systems which seem to change with a rapidity that confuses townsman and tourist alike. There is a rush hour, but it is child's play in comparison with New York, London, Paris, or even Munich. Experience indicates that it only adds ten minutes at most to travelling time.

Cultural life, while not perhaps as famed as Hamburg and Munich, is rich and varied. The city hosts an opera, many theatres, traditional and experimental, and there are concerts in plenty. The city also has many cinemas which regular to foreigners stage late-night shows with films in their original language. There are also many excellent museums.

## Exciting

Frankfurt is a cosmopolitan city, with a large foreign population. Naturally there are guest workers who have come to Germany from such places as Yugoslavia, Turkey, Italy and Spain. But there is also a very large foreign business community—with the Americans heading the list. In many Frankfurt gatherings it is hard to hear a word of German spoken—a result, perhaps, of the Anglo-Saxons' reluctance to learn German and an indication of the hospitality of their Frankfurt hosts.

Business is Frankfurt's *raison d'être* and, particularly for the financial community, there is probably no more exciting city in Europe in which to work. It is, indeed, possible to argue that if Frankfurt had not been rebuilt the way it was, business could not have come to Frankfurt. Even so the constant construction work—particularly on the new Underground system which is likely to be in building beyond the year 2000—is frequently an infernal nuisance to motorists and pedestrians alike.

While there is not much of the old Frankfurt left, the excellent City Museum and continuing traditions provide ample evidence of its history. Occupied by Roman legions—who gave their name to the Roemer Square at the centre of the old town—they were followed by the Carolingian and Hohenstaufen Dynasties. Written records refer to the city as capital of the East Franconian Empire as far back as 876, and German emperors were crowned in the city, starting with Frederick Barbarossa, in 1152.

The city—which lost its self-governing status achieved in the 14th century, following annexation by Prussia in 1866—has for long had a liberal tradition. A liberal climate was vital for the commerce and it brought with it freedom of thought and a flowering of the arts.

The poet Goethe is probably the city's favourite son and the city is justly proud of the fact that it provided the home for the short-lived all-German Parliament which assembled in the Year of Revolutions, 1848, to proclaim a democratic constitution.

Nor can one overlook the Goethe University, many of whose students and staff no doubt see themselves as continuing the area's radical traditions. Although life has quietened down considerably since the late 1960s and early 1970s when student unrest was at its height, radical politics remain the order of the day. Demonstrations frequently halt traffic—to the ire of the motorists and the relish of the students.

All in all, Frankfurt may not be beautiful—but it is a comfortable place in which to live and work. In which other international financial centre is it possible to leave one's desk and within 20 minutes be among some of the most beautiful countryside in Europe?

No city is without its shortcomings and Frankfurt certainly has them. However, it is a place which has always welcomed the stranger—from the foreign businessman to the refugee who flooded in at the end of World War II—and no such city can be utterly without a heart.

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## FRANKFURT II

# The Social Democrats dominate politics

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TRADITIONALLY, Frankfurt and the State of Hesse lie firmly in the social democratic camp. Indeed, it was politics that earned the state its nickname: "Red Hesse."

The Social Democratic Party (SPD) has dominated Hesse's Government since the re-establishment of the democratic system at the end of the war—latterly in coalition with the small liberal Free Democratic Party (FDP). The same was true of the city of Frankfurt until 1977 when the Social Democratic Lord Mayor was forced out of office and replaced by a Christian Democratic Union (CDU) successor.

In real terms a division of city and State politics would be an exercise in semantics. The difficulties which have beset the SPD at city and State level stem from the same underlying source: namely that it would take a party of very much more than saintly sweetness to keep the majority of the electorate happy for 30 years or more.

Since 1970 the conservative CDU has steadily been gaining ground in local and state elections. Its share of the vote rose from 39.7 per cent in the 1970 local elections when most of the State's major cities fell into its grasp.

The Hesse State parliamentary elections last month seemed certain to end with the CDU and its ebullient chairman Dr. Alfred Dreger firmly in command of the State legislature which is housed in the former palace of the Dukes of Nassau in Wiesbaden. As it is, the electorate resisted the CDU's blandishments and the SPD-FDP coalition survived with an increased majority.

For the Social Democrats, who saw their share of the vote advance by 2 per cent to 44.5 per cent compared with their performance in the 1977 local

elections, the coalition's victory was a vindication of their policies. For its small coalition partner, whose share went up from 5.4 per cent to 6.6 per cent, the outcome was even more crucial—it guaranteed the survival of a party threatened by its failure to gain the 5 per cent of the vote needed for parliamentary representation in the Hessian senate and lower Saxony state elections earlier this year.

However, the fact remains that the CDU is still the largest party in the Parliament of this traditionally Social Democratic State. The outcome of the State elections should really be seen as a breathing space during which the SPD must repair its image in the eyes of the voter at both a local and State level.

The State elections, it seems fair to say, were really won by nobody. They were lost by the CDU. The coalition was undoubtedly helped by the fact that the future of the Federal Government hung on the outcome in that victory in Hesse would have given the CDU a majority in the Bundestag.

The Federal upper house, sufficient to block all government legislation—thus forcing the Social Democratic Chancellor, Herr Helmut Schmidt, to the polls.

Chancellor Schmidt is immensely popular in both Frankfurt and the State of Hesse and few other than convinced CDU voters would be ready to ditch what is seen to be a generally successful federal administration for the pleasure of teaching the Hesse Social Democrats a lesson.

Furthermore, there was the chance of Dr. Alfred Dreger, an immensely personable 57-year-old, under whose leadership the CDU has made its rapid advance among the electorate.

of his party and the basic fight in the election was for the middle ground—a floating vote consisting mainly of young people and disillusioned Social Democrats.

Dr. Dreger, whose slogan was "a change works wonders," worked hard to attract the middle ground, but his basic positions on many issues were probably a touch too much to the right for many of the people whose votes he was seeking. Even so, had the future of the Federal Government not hung on the election, he might well have pulled it off.

## Talents

All three parties mobilised their top talent—generating a certain ennuï among the electorate with the local stars, Dr. Dreger and his SPD opposite number Herr Holger Boerner excepted. Despite Dr. Dreger's many assurances late in the campaign that it was not the CDU's intention to bring down the Government, it was clear that the SPD-FDP line prevailed among the electorate.

Herr Boerner, a former building craftsman, is a cheerful "man-of-the-people" whose unflagging good nature has won him considerable popularity among the Hesse electorate. However, his charm alone will be insufficient to rehabilitate the party in the eyes of all of its former supporters.

The Social Democrats face many problems—some of their own making and some that stem from the natural results of the post-war drive for economic recovery. Herr Boerner's appearance in Hesse is

indicative of the former. He can scarcely be accused of acting like wild-eyed radicals during their 30 years in power and much of the dissatisfaction, probably results from the electorate's changing priorities as the economic climate, itself, has altered from a drive for growth to an awareness of the difficulties that growth brings in its train.

In Frankfurt current dissatisfaction with the way in which property development has been allowed to run untrammelled over heritage, tends to overlook the fact that without the development there would have been no prosperity. Commerce has always been the city's life-blood and the needs of commerce—office accommodation and infrastructure—cannot be ignored.

There is also considerable electoral dissatisfaction with the SPD's stewardship in a number of areas: education being among the most important. An attempt to introduce comprehensive education brought accusations that new Frankfurt standards were being lowered and that bright pupils were being sacrificed on the altar of sociological theory.

Even those in favour of the comprehensive schools and the fact that there are insufficient teachers for the number of pupils in many schools, a large number of pupils in Frankfurt old opera.

The Social Democrats are learning the hard way the truth in Lincoln's political homily that one cannot please all of the people all of the time. No doubt the time will come when the Christian Democrats learn the same lesson. The question is: When?

Guy Hawtin



Frenzied activity at a Frankfurt broker's office as the dollar slid to one of its new lows on European money markets, earlier this year.

## Major influx of foreign banks

IT IS a fact that of the 300 plus banks in Frankfurt, around 180 are foreign bank branches or representative offices.

At an educated guess, at least 400 American companies have their finger in the Frankfurt pie. And if one stretches the definition of the Rhine-Main industrial area, then you will find more than 40 industrial subsidiaries of English parentage.

But, as one Frankfurt trade official ruefully commented: "The useful statistics really stop with the banks, and they certainly don't have to tell us everything."

"If you regard effective control of a company, or even a significant presence in Frankfurt, as a shareholding of between 25 and 49 per cent, these companies are under an obligation to tell us about overseas ownership."

Yet there certainly is overseas ownership, interest and involvement. First, there are the foreign banks. The great influx, came in the late 1960s, and early 1970s.

Bundesbank statistics for the Federal Republic in general show that 15 foreign banks had established 21 branch operations by 1957. The figures had risen to 49 and 88 respectively by 1976, and 51 and 92 at the end of last year.

foreign banks' share of business volume.

It does not necessarily follow that a small base should be seen to signify either quantity or quality of opportunity. West Germany's universal banking system means that domestic banks are both lenders to (and major investors in) the domestic corporate sector.

These close ties mean stiff competition for domestic corporate business, and the best "pickings" outside that sector would seem likely to go to foreign banks from countries with a high investment stake in West Germany and commerce.

The Americans, with their multinational client lists, and to a respectable extent, the British, are expatriate merchant bankers in an interesting position, talking in general terms, recalled one British company which came on a corporate shopping expedition and identified 30 West German companies which it could consider taking over. The main criteria were geography, size of turnover and product. The size of the market place may be influenced by the fact that so few of West Germany's 2,000-plus public companies have a stock exchange quotation.

This does not mean that West German industry is ripe for the picking. Late in October, the Frankfurt-based Commerzbank confirmed that it was buying the UK's Gurney, Keen and Nettelford's stake in communications, and manage the Sachs engineering group, meant consultants. As one GKN's decision to sell its shares followed the Federal Supreme Court's decision to the previous February to refuse it, it is that as one bank's permission to acquire a majority stake, with conference rooms

interest in the group—the holding company for the Fichtel and Sachs concern which dominates the West German automotive clutch market.

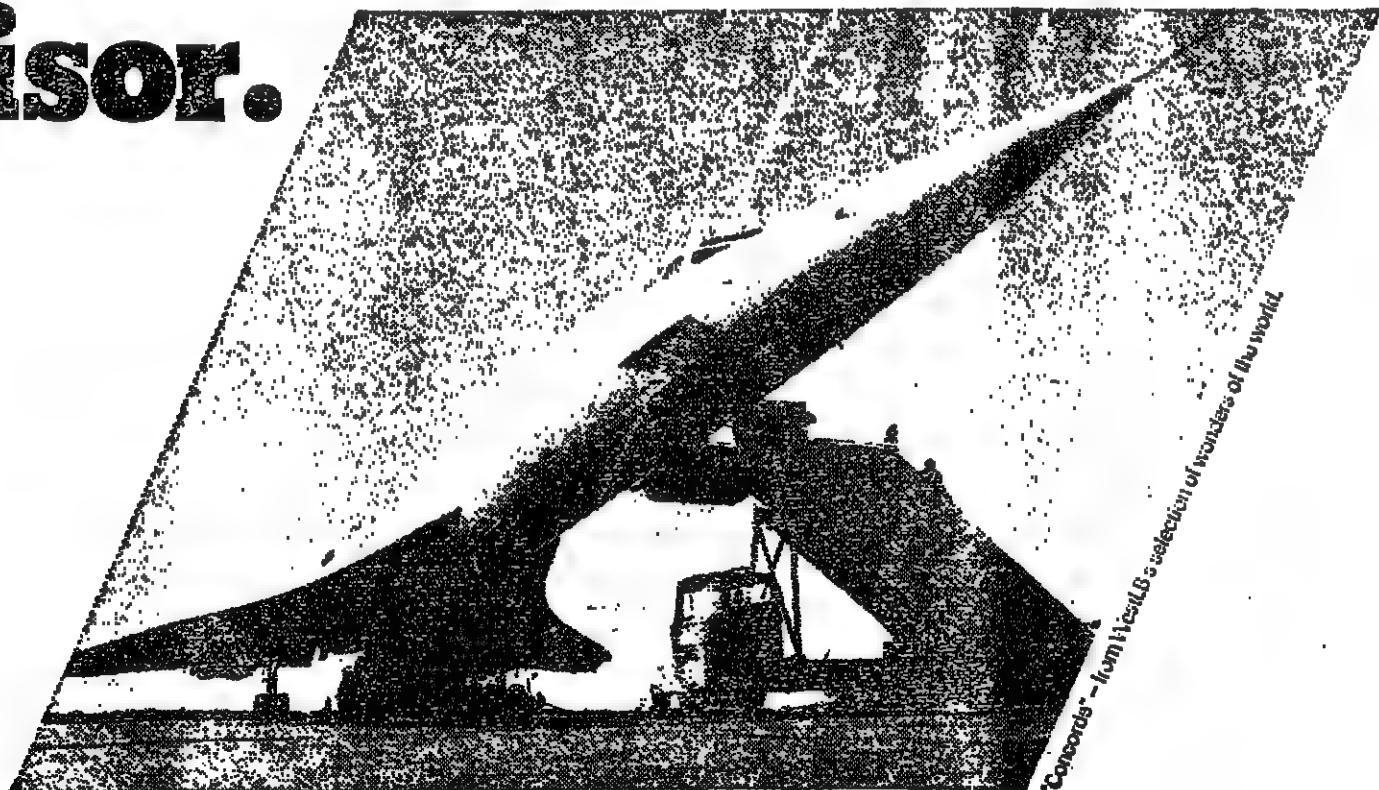
The West German authorities had argued that competition in the German automotive parts market, diminished by the dominant position that the Sachs family concern had built up, would be further diminished by a merger with GKN.

Conversely, last June, share-holders in the ailing AEG-Telefunken narrowly rejected a controversial company proposal that voting rights be limited to 10 per cent. Here, there had been speculation over possible Arab interest in the shares and although the Board saw this as a potential stumbling block to future plans, shareholders believed otherwise. One of the latter asked: "Can we get out of this mess on our own, or do we need a big brother?"

Another remarked that he had nothing against a "big brother" buying up the shares which have been a noticeably poor performer in the 1970s. The international "pickings" in Frankfurt are by no means limited to banking or takeover manoeuvres. Of course, through the city's international community, will reveal business and commodity markets, and trade officials, property men, hoteliers, accountants, lawyers and operators in transport, travel, language translation, communications, and management consultants. As one bank's decision to sell its shares followed the Federal Supreme Court's decision to the previous February to refuse it, it is that as one bank's permission to acquire a majority stake, with conference rooms

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## FRANKFURT IV

# A major international banking centre

IF FRANKFURT missed by a dust's most important activities. Since then Frankfurt has provided Europe with many of its leading banks. If the name Rothschild is the most famous, it is by no means the oldest. Bethmann, Gontard, Hahn, Granelius, Hauk, Dreyfus and Schiff, for instance, B. Metzler & Co. Sohn and Co., which was founded in 1674, is one of Europe's oldest banks remaining in family hands.

Frankfurt money provided the finance for the industrialisation of much of Europe as well as Germany itself. It provided the cash for railway construction at home and abroad. And it put up the funds for the continent's wars.

By 1850 the city's population had risen to 50,000 people and it was claimed to have one bank for every 170 citizens. Today the ratio is very much lower but banking remains Frankfurt's most important industry. The city houses some 140 West German financial institutions and is also the site of the Bundesbank headquarters.

Further, foreign banks have been flocking to West Germany in recent years and the majority have been drawn to Frankfurt. The bulk of the 50-odd foreign banks with branches in West Germany have located in the city, as have those with representative offices.

While the enthusiastic internationalism of Frankfurt has been the spur for the bankers coming to the city, the strength of the industry which provides them with their livelihood is drawn from West Germany's awesome "universal" banking system, which gives the banks a breadth of action unrivalled in Europe—or North America for that matter.

Unlike Britain and North America, deposit and investment banking functions are not separated by law in the Federal Republic. Although the system is very closely supervised, the West German banks are free to offer the entire range of services under one roof. They hold the country's savings, provide industry with finance, act as investment institutions, offer stockbrokerage services, and investment advice. They also own a substantial slice of the country's industry and control even more through the exercise of the voting rights on shares deposited with them.

## Freedom

But although the West German banks take full advantage of this freedom of movement, the foreign banks tend to limit their operations rather more narrowly. They tend to concentrate on the issues business, often in partnership with German banks, corporate lending and advisory work for clients.

While foreign banks with branches enjoy the same freedom as their German counterparts, none, for instance, deal on the stock exchange. A British banker said: "No foreign bank is active in the bourse as far as I know. The day may come, of course, but it seems a long way away."

Perhaps one of the most important reasons for this is that Frankfurt really did not re-establish itself as a major international financial centre until the mid-1960s. The West German banks, preoccupied first with finding the wherewithal for the reconstruction of the country's war-shattered economy and then with financing the "economic miracle," were relatively late in moving into the international scene.

But the coming of the Euro-market and the growing awareness of the Federal Republic's economic strength thrust them into the international arena. Today overseas business is contributing a growing share of turnover and a disproportionately hefty chunk of profits. Scarcely a leading bank worth its salt derives less than 30 per cent of its earnings from abroad.

The expansion of Frankfurt's influence in the banking world can be judged from the increase in the number of foreign banks which have established branches in the Federal Republic—mainly in the city. In 1957 15 foreign banks, mainly American, had branches in Germany. By 1975 the number had expanded to 49, rising to 51 last year after 1976's dazzling banking profits.

It is difficult to place a figure on the business that the foreign banks do in Frankfurt. Last year the aggregate business volume of the 51 foreign bank branches reporting to the Bundesbank amounted to DM 33bn—down from 1976 when 49 branches reported a total volume of DM 34.01 bn. The figures also look puny when compared with the massive DM 1,746.8 bn aggregate business volume of the entire West German banking system last year. It amounts to less than 1.9 per cent.

However, it must be remembered that there are numerous representative offices which are not obliged to report to the central bank. Although these offices do not conduct business as such, they are actively involved in developing business in West Germany for their home-based banks.

Because of the reporting requirements imposed upon branches, many leading banks

content themselves with representative offices—the British Midland group included. While it is difficult to assess how many there are, the business they generate is thought to be substantial.

A number of bankers, Germans included, claim that a representative office provides banks with the most cost-effective way of operating here. Not only are overheads lower, but representative offices are spared the close attentions of the Berlin supervisory office and are not subject to the stringent German equity/credit ratios.

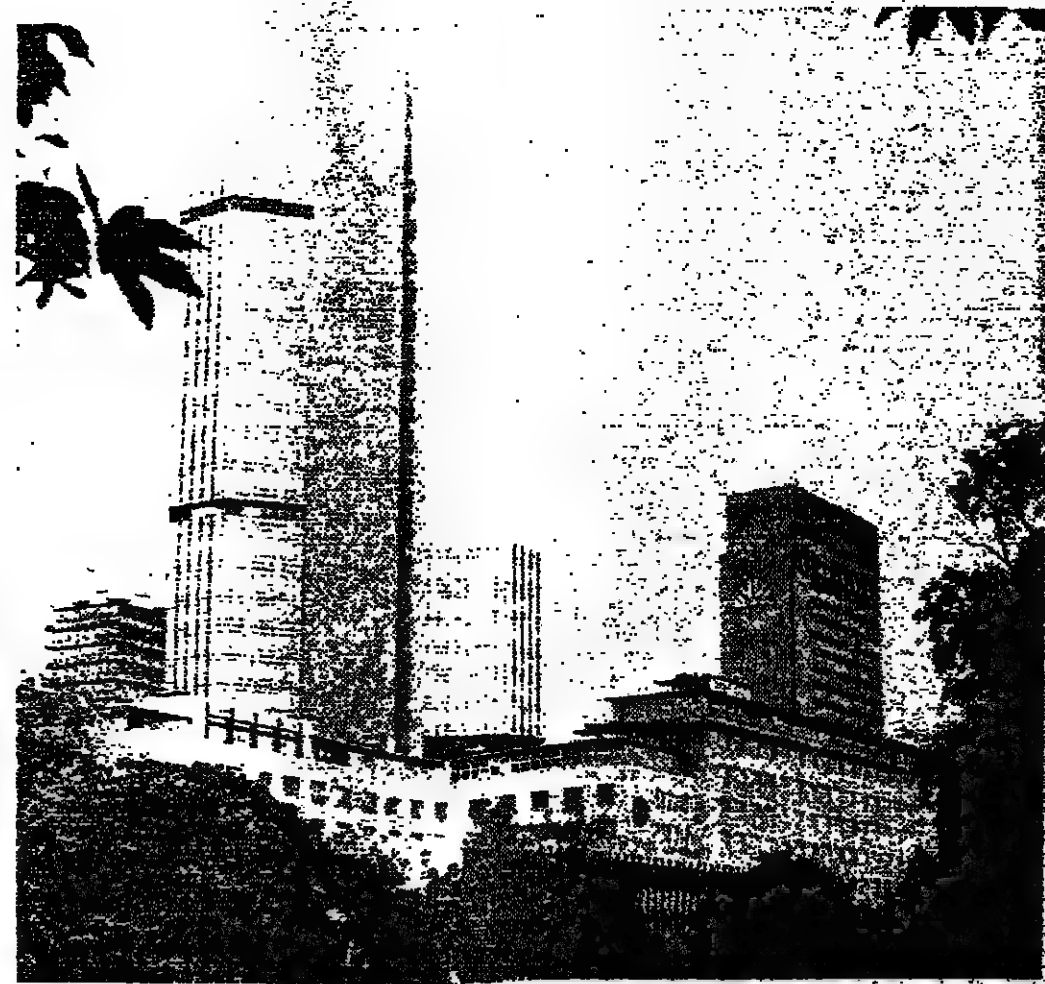
Admittedly, there are drawbacks in that representative offices cannot actively trade in the market. They cannot be involved in the foreign exchange markets, and they have the added problem of having to introduce business which is then concluded by head office.

One alternative to the branch or representative office is the joint venture. Perhaps one of the most imaginative of these is the Deutsch-Skandinavische Bank, which is jointly owned by the Bayerische Landesbank and the Skandinaviska Enskilda Bank, the Nordic countries' largest commercial bank.

It was set up towards the end of 1976 and at the end of its first full year of operation was already well in profit. With a nominal capital of DM40m and total assets which have passed the DM1bn mark, it is well on its way to achieving its goal of being the West German specialist in the Nordic countries.

Frankfurt is not an easy city for the inexperienced, as many foreign bankers have learnt—especially those who arrived with the idea of teaching the Germans how things are done. Profits are hard earned, but they are there for those with imagination enough to take them.

G.H.



Frankfurt's banking skyline

## Uncertainty among market dealers

CAPITAL MARKETS in West Germany have expanded dramatically in recent years, with the financial sector taking up some 68 per cent of the country's gross domestic product. For the moment though, the dollar, many prominent bankers argue that West German interest rates may now be too low in an international context.

Certainly the differential between money costs in London and New York and those in Frankfurt is now historically very wide. At the same time the market faces a number of internal constraints, not the least the central bank's clamp on short term interest rates.

To stem the inflow of foreign currency anxious to avoid the ravages of the dollar, the Bundesbank has been holding down short rates in an attempt to make investment in the two months to September were produced by the OECD show

CONTINUED ON NEXT PAGE

Focus on Hessische Landesbank - Girozentrale -

## "Half of Germany's top 10 banks are Frankfurt-based. We're one of them."

Let's start with Frankfurt. Why is Frankfurt so important?

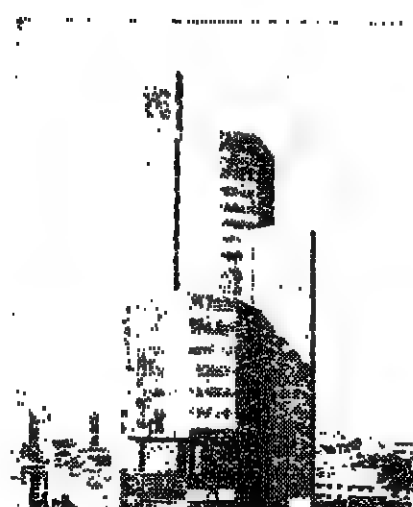
"Frankfurt ranks among the world's foremost banking and financial centers. 152 German banking institutions operate here, and Frankfurt has 161 international banks, more than any other city in Continental Europe.

The Bundesbank is headquartered here, and the Frankfurt Stock Exchange is Germany's largest, accounting for nearly half of the stock exchange transactions, 57 per cent of dealings in foreign shares and 80 per cent of the business in foreign fixed-interest securities.

Perhaps less well known internationally is that Hessische Landesbank is one of Frankfurt's big native-born banks. Half of Germany's top 10 banks are Frankfurt-based. We're one of them."

Now about the bank itself. What's its size and structure?

"With total assets of DM42 billion, Hessische Landesbank is Germany's 8th largest bank, 3rd among Landesbanks. As a government-backed regional bank, our liabilities are guaranteed jointly by the State of Hesse and its Sparkassen and Giro Association. We also act as banker to the State of Hesse, from which our name is derived, and perform clearing functions for the 52 regional Sparkassen."



What about your service facilities?

"We concentrate on wholesale banking and medium to long-term fixed-rate DM lending. As a German universal bank, our facilities cover the full range of commercial and investment banking services. Because we don't operate a branch network, we can devote our time and energy to wholesale banking activities.

In recent years we have strengthened our international investment banking capabilities considerably. For example, in 1977 we participated in 289 international issues. And we provide comprehensive investment management and brokerage services, including securities trading. Our membership of the Frankfurt Stock Exchange facilitates dealing in quoted shares and fixed-interest securities."

And sources of funds?

"A large part of our funding is done by issuing bearer bonds and SD Certificates (Schuldscheindarlehen). The total in circulation is more than DM 20 billion."

Who are the bank's main clients?

"As a wholesale bank, our service facilities are tailored for large, internationally active corporations, foreign governments, and other financial institutions, as well as subsidiaries of international companies operating in Germany. As bankers to the State of Hesse, we naturally support its state-wide and municipal programs. We also work closely with Hesse's Sparkassen and their clients, especially on the foreign side."

How do you see your position developing internationally?

"Frankly, a number of German banks offer similar high-quality services, and some of them have a head start on us in the international field. Without neglecting our home base in Frankfurt, we have assembled a team of banking professionals devoted to building a strong international track record based on pragmatic banking principles, the most modern technical and support facilities, and the highest standards of client service. Banking in Frankfurt is quite competitive, and the banks who try harder for their clients and give them fast, personal service often have the edge. This is one of our major objectives."

Hessische Landesbank  
- Girozentrale -  
Jungbühlstrasse 18-26  
D-6000 Frankfurt/Main  
Telephone: (0611) 132-1  
Telex: 0411333

## Deutsch-Skandinavische Bank AG

Highlights from our Balance Sheet (in million DM)	1977	1976
Business Volume	1,033	656
Balance Sheet Total	1,025	666
Credit Volume	558	431
Share Capital	40	40

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**Helaba Frankfurt**  
Hessische Landesbank - Girozentrale -



# Stock Exchange shows steady growth

FRANKFURT, WHERE Charles de Gaulle held his first congress in AD 792 can trace its history as a financial centre back to the early middle ages. The city had the right to issue coins as early as 1180.

By the mid-14th century, when it became a self-governing city, Frankfurt was a notable centre for trade and commerce. And it was the trading who joined forces to set up the "Burs", the forerunner of the present Frankfurt Stock Exchange, two centuries later in 1585.

Regular trade in loans and debenture bonds had started by the end of the 18th century. By the early 19th, the banking houses of Bethmann Brothers and Koenigsberg held a leading position on the loan market. Apart from these two, names such as Gotha, Metzler, Hahn, Grunelius, Hauck, Dreyfus, Schiff and others have become, at one time or another, household names throughout the financial world.

The first official list of the Frankfurt Stock Exchange dates from 1727; the first dividend-paying shares traded in Frankfurt were those of the Austrian National Bank, issued in 1820; and, says the Exchange, stock transaction increased constantly in the following years.

Good traders tend to accentuate the positive; this is how the Exchange tackled the second half of the 19th century, and the early years of the 20th. Although Frankfurt lost its status as a self-governing city state in 1866, following its annexation by Prussia and Berlin, as the capital of the German "Reich," may have had its time as the most important stock exchange in Germany; but that, reading history backwards, was the time for Frankfurt to switch its financial aspirations from the domestic to the international.

Over the years Frankfurt claims to have gained, along with London, Paris and Vienna, a leading position as an exchange of world-wide importance—above all in international arbitrage dealings and the placement of foreign issues. As evidence, it points out that just before World War One the Frankfurt Stock Exchange official list showed 358 foreign bonds and 51 foreign stocks—the greatest number of foreign

securities on any stock exchange. In all, about 1,500 securities were officially traded at that time.

But that was when the bad times began. After World War One the confiscation of foreign securities in Germany destroyed the international contacts maintained by Frankfurt over the years. The domestic inflation of the 1920s made for stock exchange "prospects" which was apparent rather than real, followed by the worldwide depression of 1930, the Frankfurt Stock Exchange's temporary closure in 1931, the foreign exchange controls of the following years and, eventually, World War II.

With Berlin divided by political stalemate after World War II, Frankfurt regained its status as the financial capital of what is now the Federal Republic of Germany. In terms of the domestic stock market the only real challenger was Düsseldorf (now the second most important financial centre and stock exchange in the FRG) whose proximity to the Ruhr acted as a spur to growth as a commercial centre. Again ahead of Düsseldorf, Frankfurt was the main centre of attraction for foreign bankers looking to West Germany in the late 1960s and the early 1970s.

## Listings

Listing statistics for the Frankfurt Stock Exchange over the past 10 years bear this out with one major exception. By the end of last year the total number of securities listed on the Exchange was 4,771, virtually double the 2,381 at end-1967. Taking the bond and equity markets overall, the big numbers came in bonds, both proportionately and in growth rate—with a rise in listings from 2,086 to 4,384 over the 10 year period against the increase from 305 to 387 in equities.

The foreign listing statistics were even better (it from a small base) in bonds, particularly, where numbers rose from 89 to 407. Foreign share listings went nearly as well, up from 35 to 156; but that meant a decline from 268 to 231 in the domestic market. The contraction trend has been mainly a result of mergers; but the fact remains that West Germany's industry remains largely in private hands and that neither Frankfurt nor

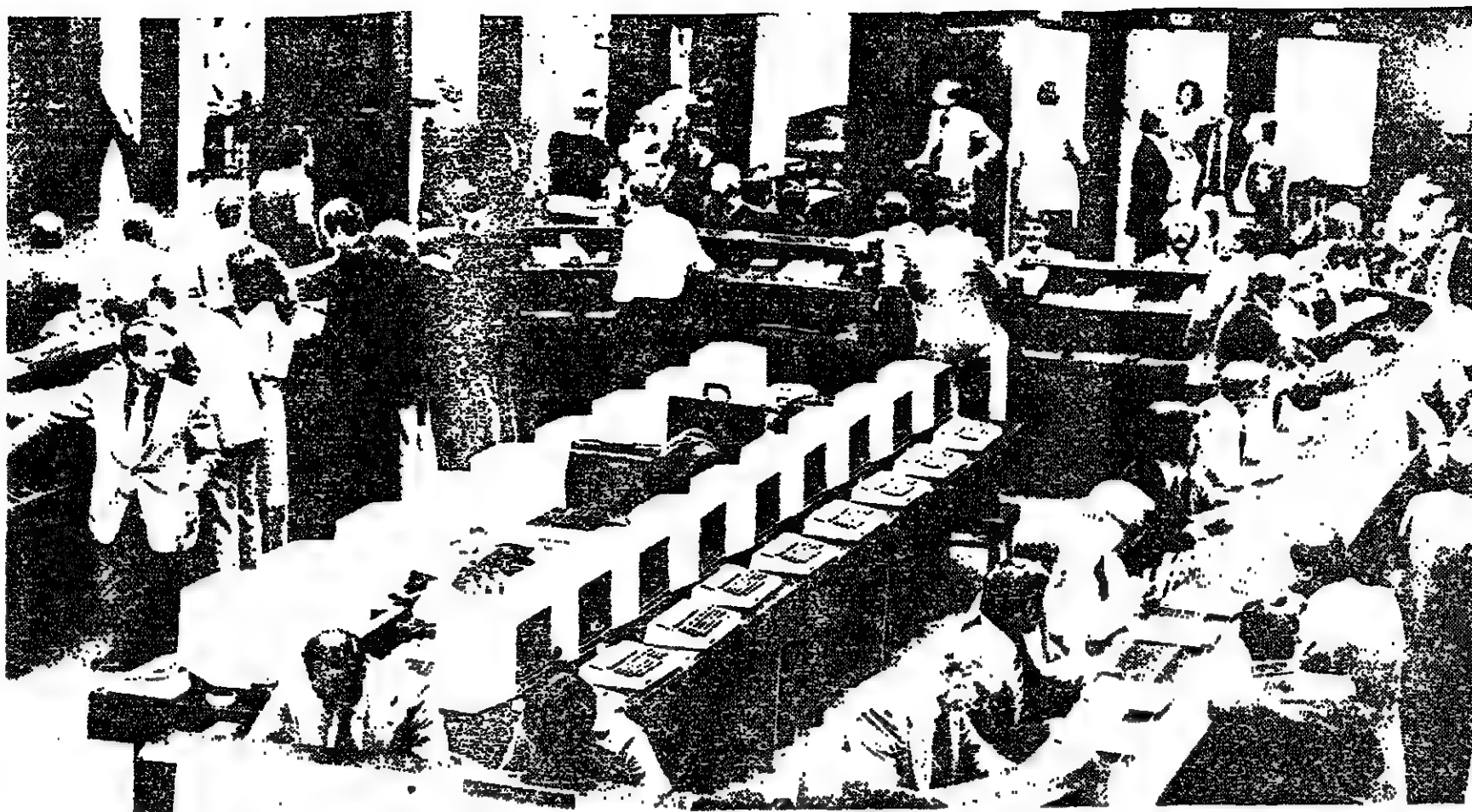
the seven other West German bourses play the same role in financing it as their Anglo-Saxon counterparts.

As an illustration, within a total market capitalisation of some DM 135bn for West German shares, between DM 22bn and DM 24bn has been traded annually. In domestic bonds, valued around DM 450bn, the annual trading figure has been around DM 300bn with a big content of over-the-counter business involved.

The reason for the hyperactivity in bonds is that banks, dealers and investors have carried very big positions over the past few years. The share of banks in total buying of new bond issues has amounted to between 40 and 50 per cent. They have dealt actively, too, in the secondary bond market, trying to determine the trend of interest rates; and with a downward trend in coupons there were clear opportunities to make capital gains.

That, at least, was true until the end of February, by which time the yield for 10-year bonds was down to 5.7 per cent. Since then it has escalated to 7.1 per cent. There are genuine domestic fears. The net funding requirement of the West German public sector could rise from DM 52bn in 1977 to DM 60bn next year; and if the economy is strong the private sector could be a taker, rather than a supplier of funds. On top of that, if West Germany has to take the lion's share of the \$10bn projected U.S. borrowing requirement on the international capital markets—the talk being \$6bn in DM borrowing, \$2bn in Yen and \$2bn in Swiss francs—the pressures on the bond market could prove awkward. A spokesman for one of the "Big Three" West German commercial banks did not think that yields would go higher than 7.1 per cent next year, talking in terms of a 3 per cent inflation rate against 2.2 per cent currently. But the market is clearly reserving its position.

Equities, this year, have done far better. First, the effect of West German corporation tax reform, cutting the effective tax on dividends, to the domestic shareholder, was to lift the average yield by 25 per cent; despite the fact that 1977 was a bad year for earnings and that most companies cut their gross cash dividends. This, coming



Trading in progress at the Frankfurt Stock Exchange

at a time when bonds were becoming decidedly less attractive, gave the market its initial injection of liquidity.

Then, since September, the fundamentals have improved, time when the cost of living index is only a little over 2 per cent higher and relatively mild wage increases—in the area of, say, 5 per cent—seem a reasonable possibility. All this took the Commerzbank Index up from a May 12 low of 759.4 to an October 19 high of 863.8; and while there has been a reaction since then, consideration in the sort of international equity investment

The other effect of corporation tax reform—reducing the yield to foreign investors—has not stopped them continuing to be net buyers in the Frankfurt equity market. Yield is no consideration in the sort of international equity investment

which tries to combine share price appreciation with investment in a hard currency. It seems, this year, that the U.S. pension funds have become much more interested in Germany.

William Cochrane

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## Dealers

CONTINUED FROM PREVIOUS PAGE

84 per cent above those for the June-July period with domestic orders rising by 41 per cent and foreign orders increasing by no less than 8 per cent. Clearly optimism about the outlook is for the economy in 1979 is now beginning to swell.

The financial community points with eagerness to the chart for real GNP which for the first half of this year shows a rise of 21 per cent over the opening six months of 1977. Within this performance the second quarter managed to grow by 11 per cent over the first three months of 1978. Plainly, official revisions to historic figures are part answer to the buoyancy. But the results are nonetheless proving far more encouraging than many economists had expected.

The outlook for the world economy remains as unsure as ever. But some estimates of private consumption now suggest growth of between 31 and 4 per cent during 1979. As a result West German industry—after a number of lean years—could start to spend heavily on capital account. Recent surveys of manufacturers' investment intentions indicate that real spending on fixed assets and plant may rise by as much as 7 per cent next year.

Thus, the demand for capital could shortly begin to harden. Faced with this prospect the suspicion is growing in Frankfurt that the next move for interest rates is upwards. Recent tactics by the market's new issue managers have already begun to suggest as much.

Last year, bond yields on average declined by something like 14 per cent to close 1977 at around 6 per cent. During the early weeks of this, yields continued to decline against a background of formal approval from the Bundesbank. Thereafter, matters started to get out of hand. By early March yields had dropped to 5.6 per cent—their lowest level for more than 10 years—as heavy inflows of foreign funds forced down interest rates.

This was plainly an over-reaction and was followed by inevitable self-righting process. By the middle of the year bond markets became more pre-occupied with internal factors, notably indignation in the Euro-M bond market and, in the

domestic arena, an upsurge in yields within one particular sector, mortgage bonds. The latter situation arose through a rash of new offers from the mortgage banks seeking to match an upsurge in loan business with underlying borrowings.

As a result the market in government debt turned distinctly soft through July and August as investing institutions switched into the mortgage sector where yields at one time topped 7 per cent for 10-year paper. Correction finally came as the year headed into autumn and the dollar crisis gathered pace. At the time, a renewed upsurge in demand for DM assets gained impetus from some favourable fiscal news from inside West Germany itself. This was the realisation that the Bundesbank was much further ahead in its financing of the public sector deficit than had hitherto been suspected.

## Demand

Against this background demand for all types of bonds surged vigorously. But the situation contained many of the slightly unreal elements seen earlier in the year with demand susceptible to currency swings. The uncertainty made for a testing time in new issue circles and pitching the terms of a new issue with any attempt at finesse remains a remarkably tricky business.

The two most recent new offerings are a graphic illustration of the problems involved. A 10-year issue from the State of Hesse met a cool response and has still not been fully placed. Learning from this experience, the Federal Railways eventually emerged with a six-year bond, carrying a coupon of 6 per cent and priced at 99.

Deliberately and strategically aimed at the middle range of market maturities, the offer was quickly snapped up. One present uncertainty for the bond market concerns the size, nature and timing of the issue of DM denominated bonds

by the U.S. government. Proposals to issue foreign currency bonds were contained in the U.S. Government's recent dollar support measures, and it begins to look as though a significant amount of the \$14bn envisaged will find its way into Frankfurt. If, and when, this happens it could conceivably soak up a sizeable proportion of available investment funds.

A small but nevertheless important adjunct of the mainstream capital market in West Germany is the market in Euro-DM bonds. From the point of view of the investor there is little distinction between a DM foreign bond and DM Euro-bond. All DM public issues are listed on the West German bourses, and are thus subject to the same trading and issuing supervision, irrespective of whether or not they include foreign banks in the managing syndicate or underwriting group.

From the point of view of the borrower, however, the two types of paper differ from one another principally in respect of the composition of the issuing syndicate. The Euro-bond would be internationally syndicated whereas the foreign bond would be syndicated exclusively among West German banks. By agreement, all Euro-bond offerings are lead managed by a German bank. After the dollar, the DM is the most frequently used currency for international bond issues. New issue volume in this field has grown from the equivalent of \$780m in 1970 to \$6.3bn in 1977 which compared with \$4.1bn in 1976. Gross new issues in this market for the first nine months of this year were sharply up on 1977.

All DM issues by foreign borrowers raising more than DM120m are informally regulated by the Central Capital Markets Committee. The Committee is concerned with the maintenance of orderly conditions in the foreign bond market. It meets at regular intervals and determines appropriate levels of forthcoming new issues, as well as the sequence of new issues for both the represented and the non-represented West German issuing banks.

Jeffrey Brown



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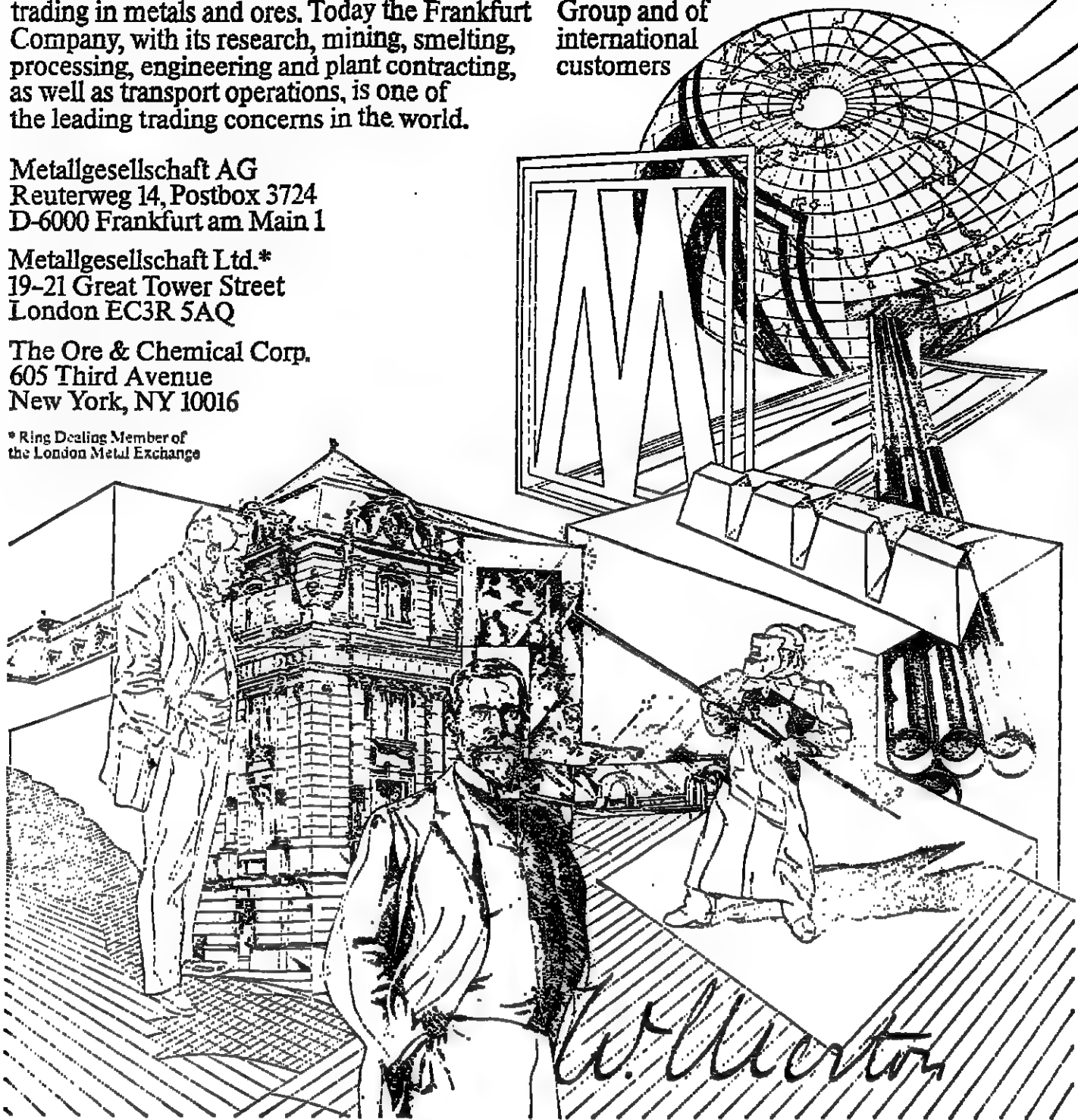
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D-6000 Frankfurt am Main 1

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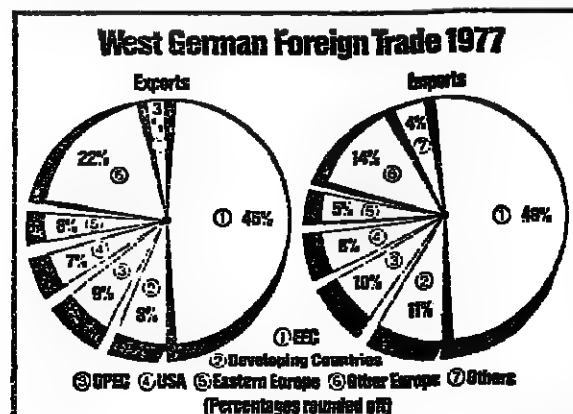


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## FRANKFURT VI

# Local specialities in food and drink

AS AN unwilling schoolboy, my grandfather always eased the agonies of the return to incarceration after the freedom of the holidays by taking me to Rules, Simpsons in the Strand, or—if he was feeling particularly expansive—the Savoy, for what he termed "a good feed." The food was plentiful, substantial, plain and tasty, and was usually awash with savoury gravy.

Had grandfather been asked to describe the typical food of the Frankfurt area, he would certainly have put it in the "good feed" category. It would be pointless to describe food from this part of the world as anything other than "substantial," but while it is a world away from the French tradition, there are a number of dishes served here that are anything but contemptible.

By no means all of the town's Gaststätten—the small restaurants that are the German equivalents of the English pubs—manage to rise above the level of overcooked, pre-packed frozen schnitzel. But, although a goodly number rely heavily on this stand-by, which frequently has all the appeal of the standard British pub paste, there are more than enough offering an abundant selection of good, plain, local dishes which should appeal to all but the most jaded palates.

After the "Frankfurter sausage," which can be purchased as a tasty snack from stands all over town, probably the most truly "Frankfurt" of all dishes is the ubiquitous rippchen. This is a smoked pork chop, which, despite its name, is anything but small. Rippchen is either served cold with brown bread and mustard, or hot with sauerkraut. At its best, it is a most noble dish, boiled together with spiced sauerkraut, itself delicately flavoured with bacon.

Hot rippchen mit kraut is not necessarily the ideal dish to offer a delicate maiden aunt but it is just the thing for hard-working people on a cold winter's evening. Cold rippchen, lashed with mustard and eaten with bauerbrot is an ideal—and none too heavy—supper on a hot summer's evening.

Schweinshaxe is a dish in a similar vein, although it is even more substantial. It is a pork knuckle, the lower part of traditional shoulder of pork. Usually roasted, and often sold by weight, it is like an individual joint of pork, richly covered in crisp crackling.

A review of Frankfurt cooking cannot be allowed to pass without mention of handkäse, accompanied or unaccompanied by music. Handkäse is, as the name suggests, a pat of cheese which was originally moulded by hand. Some of the local farmers still make it that way, but no doubt the machines have now taken over the bulk of the business.

Handkäse, although sharp, is not one of Europe's most interesting cheeses—indeed, to all but addicts it has a very high boredom quotient. However, handkäse mit musik is a different kettle of fish, if one will forgive the mixed metaphor.

Served in this manner, the handkäse is smothered with a dressing based upon oil, vinegar and diced onions. Every housewife and gaststätte has a different recipe for the dress-

ing—ours includes caraway seeds—which adds a whole new dimension to the cheese's flavour, making it worthy of a place on every cheese trolley.

The dressing itself, is not strictly the "musik." But foreigners, non-Frankfurters that is to say, who ask where the musik is are told with a snigger that it comes later—a coarse reference to the dressing's more than justified reputation for causing flatulence.

To return to a higher plane, one should not overlook Frankfurt green sauce which is made from fresh green herbs, eggs and sour cream, although I am none too clear as to the exact recipe. At home it is often served on its own over potatoes, but its pungent flavour makes a far better accompaniment to the traditional Frankfurt speciality, boiled breast of ox, than horseradish sauce and elevates a rather mundane dish to one deserving wider note than it currently enjoys.

No guide to Frankfurt cooking should be allowed to pass without reference to game dishes. There are by no means purely a specialty of the city for, in my view, German game cookery is unsurpassed anywhere in the world.

Game in Germany is generally cooked far fresher than it is in England, all the better for those who, like myself, are not enamoured of the graveyard taste of most British game dishes. While British game cooks may gasp in horror, far more game is eaten in Germany than in the United Kingdom—they consume more U.K. venison than do the British—and one should bow to their superior knowledge.

Venison — which, despite hanging until it rots, usually arrives like leather at the British table—is cooked pink and, as a result, is tender. Partridge and pheasant are cooked fast to keep the juices in and, while the flesh is naturally firm, the knife cuts it with ease. Some cooks advocate the par-broiling of older birds, before roasting.

To turn to drink, the traditional Frankfurt tipple is apple wine. Known as Apfelwein to the posh or ebberwei to the locals, Frankfurt is surrounded by apple trees and its apple wine, the like of which is found nowhere else in Germany, is dry in flavour and considerably more subtle in taste than the usual run of English ciders.



Vineyards at Rudesheim above the Rhine.

The apples are pressed in early autumn which is the season for "süss," the un-fermented, newly-pressed apple juice. Süß has a beguilingly fresh, nutty taste and is an ideal thirst-quencher on hot summer evenings. But the novice should beware. Most experienced apple wine bibbers will warn that, like fresh apple wine, it is one of the most powerful emetics yet devised.

For those left cold by apple wine, Frankfurt's two large breweries, Binding and Henninger, both produce excellent beers. Dedicated beer drinkers, however, claim that their products, while good, are not up to the standard of the northern or Bavarian beers. Still one seldom hears complaints from customers.

Frankfurt is not in a wine growing area, but even so the Rheingau—one of the country's main wine-growing regions—is only 30 km or so up the road. Wine drinkers with a little time to spare can be tasting excellent wines at the vineyards which border the Rhine within an hour of leaving the city's confines.

### Quality

The Rheingau (whose wines are known in Britain as Hock because much of it was originally shipped from the village of Hochheim) are considered by many connoisseurs here to be the finest of Germany's growing regions. But, as with any other wine growing region, care must be exercised in buying as France's greatest restaurants, qualities vary considerably. A general rule of thumb, beware only what is available fresh from the market—a refreshing DM 8 can provide the drinker change in a country rapidly with a first class bottle, going over to pre-packed food, especially when bought by the case in the region itself.

Among the region's finest vineyards is Schloss Vollrads where the district's traditional standards are rigorously maintained. Wines from Schloss Vollrads are much sought after by connoisseurs and as such are fashionable in the district as well as in the city. They are delicate and dryer than those usually found in the district as the owners have stiffly resisted the post-war move to sweeter wines which growers feel appeal more to the average German palate. They can be found in the best specialty shops, but are probably best bought direct from the Schloss itself.

Despite its culinary tradition, the most frequent complaint made about Frankfurt is the shortage of good restaurants.

Sadly this is not entirely justified. While there are plenty of gaststätten serving good plain fare, cooking of the premier class is hard to find and, costly when found.

That said, there are good restaurants, although there is perhaps not the variety that one would expect in an international city of Frankfurt's standing. The French restaurant in the Frankfurter Hof maintains a high standard in the French tradition and its duck and game are particularly to be recommended.

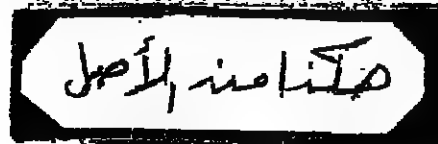
The Hessischer Hof restaurant also has a high reputation and specialises in traditional German haute cuisine. It is certainly the place to try boiled breast of ox with Frankfurt green sauce and its venison dishes are superb. Heyland Weinstubben in Kaiserstrasse also serves traditional German cooking, as well as some of the best fish in Frankfurt. As a bonus it has one of the finest lists of German wines in town. A good French wine list is harder to find, although good burgundies are easier to unearth than clarets. However, Erno's, Bismarckstrasse, has a French wine list that would put most leading London restaurants to shame at prices which are reasonable in the extreme. Erno's cooking is the best in the city and it is one of those rare restaurants that seem to improve year by year. Erno, who learnt his craft at one of France's greatest restaurants, changes his menu daily serving a general rule of thumb, beware only what is available fresh from the market—a refreshing DM 8 can provide the drinker change in a country rapidly with a first class bottle, going over to pre-packed food, especially when bought by the case in the region itself.

At the other end of the scale, the greatest exponent of the schweinshaxe is Kochersperger in the less fashionable quarter of Sachsenhausen. Kochersperger is an unpretentious place, which, usually found in the district as the owners have stiffly resisted the post-war move to sweeter wines which growers feel appeal more to the average German palate. They can be found in the best specialty shops, but are probably best bought direct from the Schloss itself.

Despite its culinary tradition, the most frequent complaint made about Frankfurt is the shortage of good restaurants.

G.H.

## SCHRODER, MUNCHMEYER, HENGST & CO. BANK



2000 Hamburg 1  
Ballindamm 33  
Tel.: 32 95-1  
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Telex 04-13 756

6050 Offenbach a. M.  
Kaiserstraße 73  
Tel.: 21 79-1  
Telex 04-152 813



# Industry plays its part

FRANKFURT'S ROLE as a focal point for industry is frequently overlooked. With the spotlight on the Bundesbank, the multitude of domestic and foreign banks and their branches, the insurance companies and other members of the financial community, it is easy to forget that there are producers of wealth, as well as distributors.

It is true, too, that Frankfurt is not the centre of large-scale industrial production. Among the really big corporate names with production units in the Frankfurt area are Hoechst, one of the big three German chemical manufacturers, and Adam Opel, fondly known as the "motor machine" subsidiary of General Motors of the U.S.

But as one industrialist put it recently, employers tend to go where the labour is. Or, if they go to for finer judgment than that, they will locate production, headquarters, design or trading staff in areas which either have, or can attract, a supply of the appropriate personnel. What is remarkable about Frankfurt is the high proportion of decision makers to line workers that the employment statistics have suggested, and that industrialists themselves confirm.

The theory goes as follows. Recent statistics show a total population for Frankfurt of

633,342 inhabitants, 114,457 of these foreign nationals, and a very low unemployment ratio. So even with its natural communications advantages—a central position in Germany or in Continental Europe, an international airport with progressive air-freight facilities, the Rhine and Main waterways and up-to-date motorway and rail networks—prospective newcomers with a high labour requirement would have to think twice.

## Restructuring

But that is now, so what about the last 30 years? The post-war restructuring of the German economy was managed from Frankfurt. The influx of domestic and foreign banks generated all sorts of support operations, one group almost following upon another. Frankfurt invested an inflow of industrial headquarters, accountants and housing; it saw a massive boom in the hotel business, communications facilities were further extended and so on.

All these things have created a very big service industry in and around Frankfurt, which also has a lot of lighter industry including the production of a great variety of consumer goods, from ceramics to textiles. The fur trade moved to Frank-

furt after the war from Leipzig while Offenbach, adjoining Frankfurt, is the traditional centre of the leather industry. But perhaps the most encouraging aspect for internal observers is the proliferation of small businesses which promise further growth in the future.

Big league German companies with administrative centres in Frankfurt, apart from Hoechst, include AEG-Telefunken, Metallgesellschaft, Degussa and Philipp Holzmann. AEG could be described as the increasingly weak sister to Siemens in the West German electrical stakes. It had to sell out its 50 per cent stake in Kraftwerk Union (KWU) to its partner (Siemens) again in 1976 after massive losses in 1974 and in 1975.

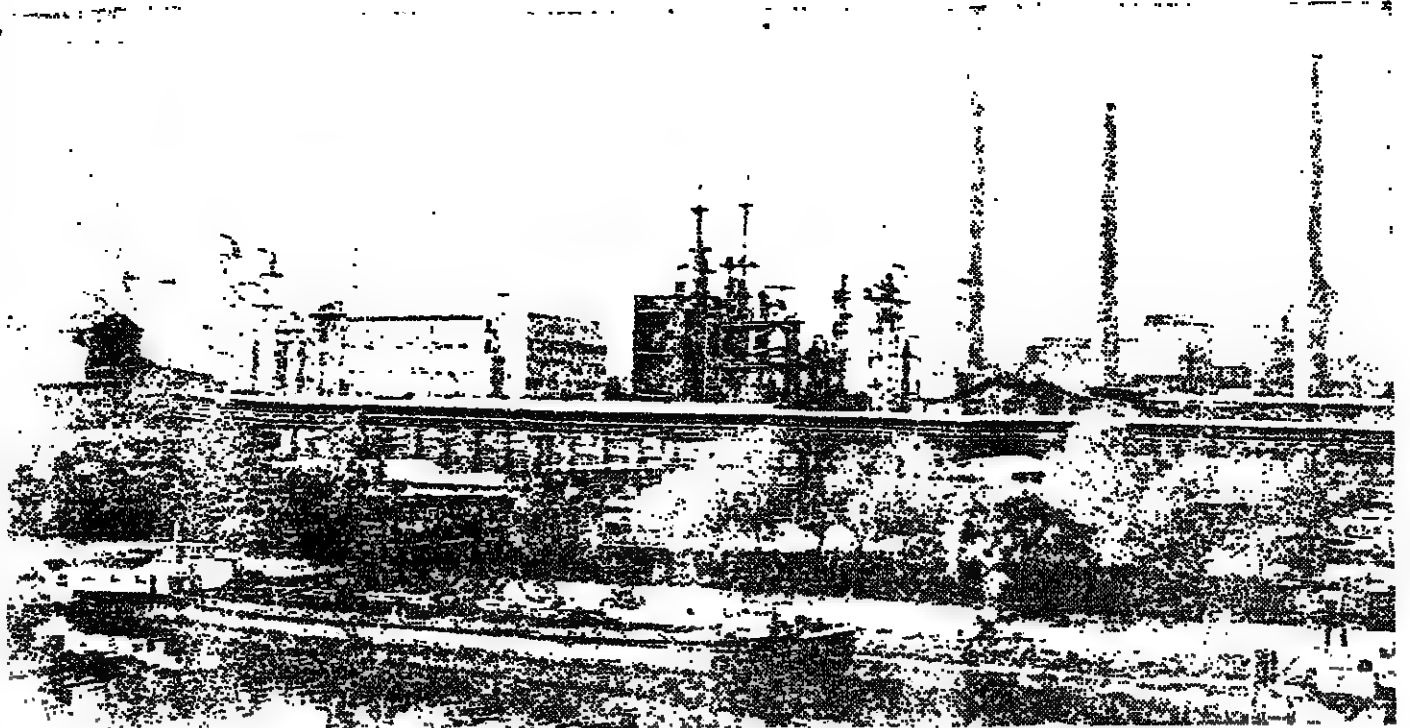
The sale agreement did not cover Siemens' assumption of losses stemming from contracts brought by AEG into KWU. Last September it was agreed finally that AEG would pay some DM1.215bn to cover the losses on contracts brought into the power station construction group AEG separately announced that this, on top of a bad business year, would result in it reporting a 1978 loss. This will be AEG's fifth year in a row without paying a dividend.

Where AEG's problems have been particular, those of Metall-

gesellschaft (MG), the metals, engineering and transport combine, have accentuated the general. Much of its business is conducted in sterling or dollars but it must account to its shareholders in Deutschmarks. This has been a typical complaint from Japanese, Swiss and German industrialists recently, although most of them have played down the consequent saving in import costs.

In its interim report earlier this year MG gave this—or, more particularly the decline in the dollar—as the main reason why earnings for the first five months of 1977-78 were well below target. But another vital factor had been in zinc—a metal of which MG is an important producer—and it was felt that the zinc market situation would play a decisive role in the losses of the group's smelting and mining activities.

Last September, indications of some stability returning to the zinc market were mentioned by Mr. R. T. Swemmer in his statement with the annual report of the Anglo-Transvaal group's Priesska copper-zinc mine in South Africa. But he added that a strong economic upturn must occur in major consuming countries before prices of both copper and zinc recover to more realistic levels in real terms.



A tanker at the Hoechst factory in Frankfurt for removing organic chemicals to the company's other plants.

However, MG takes great pride in the performance of its highly successful Lurgi plant construction subsidiary. This is where the international and outward-looking character of Frankfurt shows through. MG spends around DM24m a year on air and travel tickets. Lurgi already has an 85 per cent export ratio. MG hopes to help China (and itself on the way) in developing a non-ferrous metals industry. It also has plans for coal gasification in the U.S., copper in Chile and bauxite in Venezuela.

As a variation on MG, Degussa, the metals and chemicals concern which was unscrambled from a cross-participation between itself, MG and Henkel following the Allies' stipulations on decartelisation after the war, was thanked earlier this year for one bright spot in a situation where world chemicals demand remained slack, and margins had been

pared by the downward course of the dollar.

But that was in March. By October, Hoechst was talking far more cheerfully about 1978 prospects than it did only four months earlier. "Muted optimism," or more specifically a forecast of at least maintained profits after a slide of 25 per cent in the first quarter, was one reason why the investment brigade have been talking about better "fundamentals" recently.

Still in the chemicals sector, the Darmstadt-based E. Merck, one of West Germany's leading pharmaceutical concerns, said that 1978 had started with a considerable improvement over the disappointing performance in 1977.

Perhaps one of the most confident reports this year was produced by Philipp Holzmann, one of the leading construction companies in West Germany. Accentuating the positive again, Holzmann noted that, for the

first five months of 1978, building output was a fifth higher even with the domestic operations running marginally below their 1977 level. Despite changing currency relationships, it was said, the development of the overseas construction business was "positive."

## Positive

Even more positive, in international terms, was Holzmann's October move to take over the U.S. company J. A. Jones Construction. Jones mainly makes the base product for polyester fibre and filament production in the Soviet Union, and at present Holzmann does no work in North America. It would like a North American arm to reduce its heavy reliance on the markets of the Middle East where it has built up a large volume of business.

Perhaps the most independent, and outward looking note among the Frankfurt-based companies is struck by subsidiaries of much larger

W.C.

## Promoting the arts

### FRANKFURT AND culture:

Frankfurt is a very musical city, whether it be pop in the Messiasland, jazz on a river boat, or Bach in one of the big banks; and not only professional music, as a glance down the local events column around Christmas would reveal. Frankfurt has two musical addressees. Young artists may even be lucky enough to perform before an audience through the initiative of members of a prominent Frankfurt family who arrange regular concerts at their house. But Frankfurt still lacks a good concert hall. At present there is only the Opera House or the Jahrhunderthalle, a multi-purpose building which rises like a large concrete mushroom from the fields beyond the city boundary. What is more the acoustics can be something of a technical nightmare. It is hoped that the result of private initiative nudging slightly unwilling local authority will be a new concert hall built into the shell of the old Opera House.

### Overshadowed

For a city of such international importance Frankfurt is surprisingly small, its population still under 700,000. It tends to be slightly overshadowed by its larger relations such as Hamburg, Munich and Berlin. Yet if Frankfurt does not set the pace, it certainly is not standing still. Like its architecture, a bulldozer marriage of warm sandstone and concrete grey, the city is full of contrasts. So the dust has no time to settle, even where one might most expect it.

In recent years the city has been making determined efforts to bring culture to a wider public. Theatres and museums have been opening front and back doors, with discussions between public, actors and producers before and after major productions. With jazz and classical concerts—both popularising experiments—museums have helped to break down associations of middle-class stuffiness that such institutions tend to have for the younger generation. The Historical Museum has been controversial, but it has drawn the crowds. Other museums have also recorded much higher attendance figures: the Goethe House; the Senckenberg Natural History Museum; the Liebig and Städelsche Museums. For its size the Städal has an outstanding collection, perhaps particularly of Expressionist work. Attached to it are both art and craft schools.

settings have sometimes got in the way of words and meanings.

Recent Shakespeare productions are a case in point. In *Twelfth Night*, characters went through a series of sado-masochistic rituals which served to distract from rather than concentrate attention on what the words were about. The translation took out all the poetry so that the clown (a woman) did not sing. If she had, it would not have been "What is love?" but "How is love?" Similarly the idea of making Malvolio keep his finger well up his nose while reading the trick letter is amusing, but then the trick letter is amusing. As it was the better got rather lost in the nose-picking. Visually and technically, theatre in Frankfurt has often been exciting. Wilfried Minks' forest in *Midsummer Night's Dream* was a blaze of garish colour. Pre-Raphaelite rose bowers next to aspidochelons and headless deer. It was populated by an army of proteques. Not a dream but a nightmare.

Cinema fans are well looked after, with the Kommunales Kino, which has a constantly changing programme of film classics. City children have some compensations. The Frankfurter Figurentheater has a series of specially written plays which are marvellously funny and musically stimulating. There is a Christmas Fair, special play-centres in the summer, reading competitions, and often children's days at the theatre.

Frankfurt spends a lot of money to support the twin-city programme with Lyon and Birmingham, something which is not always fully reciprocated. There is a regular programme of guest performances and exhibitions.

### Enormous

The Book Fair is so enormous and internationally known that it hardly needs mentioning. But Frankfurt has a number of famous publishing houses too. S. Fischer and Suhrkamp being perhaps the most outstanding. Bad Vilbel, on the outskirts, has created a post of Stadtschreiber, in an attempt to bring writers into closer contact with the public.

Other kinds of culture may be found at the botanical gardens (the Palmengarten) and the zoo which has recently opened a special house for night animals. There one can see among other creatures, a des-

cendant of Rikki-Tikki-Tavi.

In fact there is always something on if one takes the trouble to find out. Even early on Saturday morning, when the flea-market opens shortly after six all along one bank of the river. That too is just one more example of Frankfurt's genuine, sincere attempts to bring the city to the people.

Dr. Jo. Rippier

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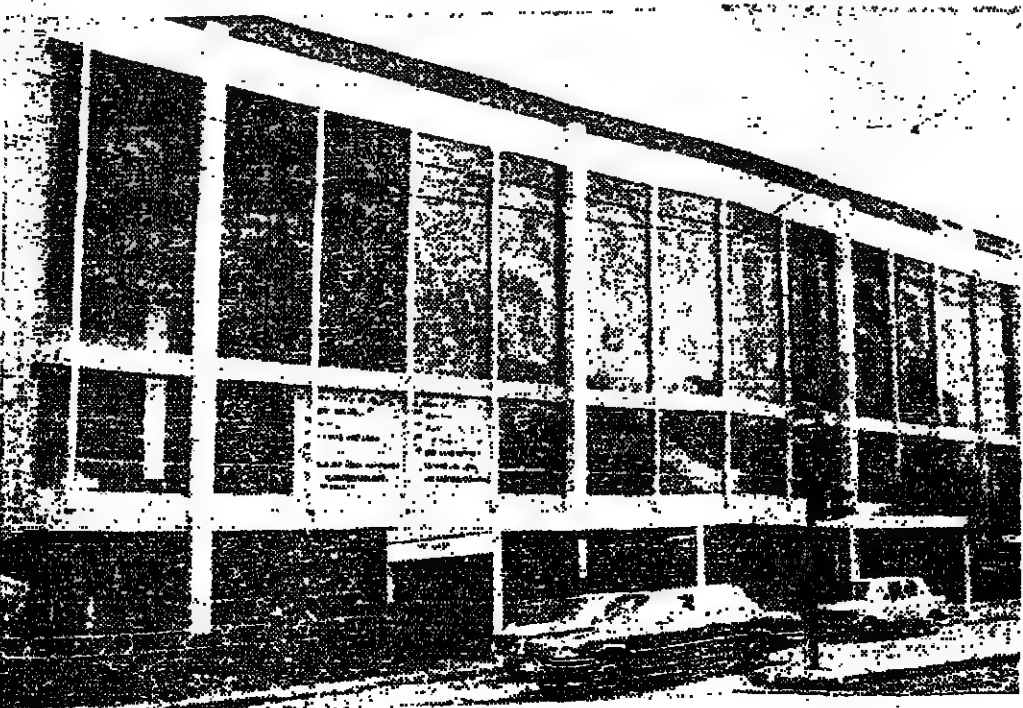
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Frankfurt's new opera house.



## FRANKFURT VIII

# Attractions for the visitor

FRANKFURT AM MAIN, once one of Europe's loveliest medieval cities, was devastated during World War II and has been rebuilt in modern style. For the visitor there is little to arrest the eye or excite the mind. For sights of note the tourist must go outside the city, up to the Taunus mountains to the west and north, south to Heidelberg, or west to the Rhine.

Before embarking to see tourist attractions around the Frankfurt area it is a good idea to visit the few noteworthy points within the city. One starts with the Roemer, the old town hall that stands as the symbol of the city. Built in 1405 the building has a gothic facade and, within, the emperor's chamber. Emperors of Germany were crowned at the Cathedral, which is in the same complex as the Roemer in the centre of the city by the Main.

The pedestrian area between the Roemer and the Cathedral (Dom) has been earmarked for restoration, and in the future visitors will be able to see the medieval square restored with typical houses of the time. Currently one can view excavations of Roman ruins on the site.

Not far away, on the Grosser Hirschgrabenstrasse, stands the Gothic house, where the poet was born and spent his childhood. It has been restored and a museum created in the

neighbouring house. Other museums of interest include the Historische Museum, also in the Roemer complex, which traces the history of Frankfurt from Roman times to the present day. The Senckenberg Museum on the Senckenberganlage has the biggest and finest natural history collection in Germany.

Frankfurt boasts an excellent zoo as well as a fine botanical garden called the Palmengarten. Both the zoo and the garden are centrally located and well signposted.

Traditionally, those seeking a true Frankfurt atmosphere are directed toward Sachsenhausen on the south side of the river where restaurants and pubs and

apple wine "stuben" vie for the nightlife customer. Sachsenhausen was only slightly damaged by war-time bombing and its narrow streets and old houses preserve some of the old flavour of the town. In the apple wine stuben one can taste local food specialties like rippchen with kraut (boiled cured pork loin with sauerkraut) or buy a pretzel from a vendor to go along with a bumble of Eibelwei (resembling the traditional blue stone jugs in which the wine made from apple is served).

Staying in Frankfurt can be an expensive proposition with double rooms in first class hotels costing from DM 80 (123) and up outside of fairtime and DM 120

(£32) and up for a double when there is a fair on. Staying outside the city in one of the nearby mountain towns means a substantial saving to the pocket-book. A night in a Gaststätte—a small pub hotel—in this region can be found for DM 35 (under £10) per night for a double. At plusher hotels in the countryside the prices are still likely to be a third or so less than hotels in town. Frankfurt, after all, caters not to the tourist but to the merchant and the banker. It is a business city and its skyline today is growing more impressive as tall towers of commerce reach toward the sky.

At the riverside just below the Roemer visitors can, in season, take a cruise on a steam boat up river to where the Main and the Rhine meet or even further. If you wish to make a day of it you can do a Rhine-Main cruise in the early morning, returning late at night.

## Convenient

Frankfurt is convenient to many noteworthy tourist sights. The drive to the Rhine to view castles, the Lorelei and to taste the fine wines of the Rheingau region take about 2-3 hours. Starting at Rudesheim one can drive along this famous route towards Koblenz or embark on a boat. Several of the boats have bands on board traditionally accompanying their way along the river.

To the south of Frankfurt, about a 1 1/2 hour drive away, is Heidelberg. Here perched above the town is a large castle where one can tour restored rooms and enjoy the view below, which on a clear day extends from the Neckar Valley up to the Main Valley. Below in the town the old bridge and the Heiliggeistkirche (Holy Ghost Church) are worth a visit. Across from the church stands the Zum Ritter, which today is a hotel and restaurant. Built in 1592, Zum Ritter is the oldest surviving building in the old town. It

serves excellent food and has a good selection of local wine.

Although Heidelberg is more touristy than many other attractions around the Frankfurt area, perhaps because of the large American Army presence, it is still worth a visit. The student cafes in the centre of the old town are a pleasant way to relax, sit down for a beer, and look at the mementos of duelling days which decorate the walls of many of these pubs.

The best approach to the castle and on up the mountain is by the Bergbahn (funicular), which goes in two stages all the way to the top (the Koenigsstuhl) and affords a panoramic view of the valleys below.

Another good day trip from Frankfurt is to take the B 8 road, such as the B 8 north of Frankfurt through the Taunus mountains. The views are pleasant and the goal is a small town called Weilburg, where the palace of the House of Nassau stands. The tour through the state rooms is worth doing and combined with the pleasant drive (about 1 1/2 hours from Frankfurt by car) makes a good day trip.

Half an hour's drive east of

Wellburg lies Braunfels with its fairytale castle and old town. Meals and lodging along this route at any attractive gaststätte with Fremdenzimmer (tourist rooms) will be far cheaper than in the tourist centres mentioned above. On the beaten track, these are primarily places which attract the German tourist rather than the visitor from abroad, but worth seeing all the same.

## Dotted

The some mountains, the Taunus, are dotted with spa towns, some of which are very close to Frankfurt, such as Bad Homburg von der Höhe. Bad Homburg has a 44 hectare spa park. As well as attractive gardens and a small palace, Bad Homburg has waters that are reputed to be good for the stomach, liver and circulation.

About 5 km north of Bad Homburg is the Saalburg, a reconstructed Roman outpost with artifacts of the Roman occupation from many parts of Germany. The Saalburg is built on the site of a former Roman fortress which guarded the boundary of the empire when it was at its height.

Several other spa towns lie within commuting distance of Frankfurt. These include: Koenigsberg, which has a delightful tiny castle built in the 15th century and from which one can catch a good view of Frankfurt down below; Koenigsstein, with castle ruins above the old town which are great fun for children to explore—the river here is water, reputed good for circulation; Bad Soden, whose thermal baths are noted as therapy for heart problems and rheumatism among others and which has functioned as a thermal bath and spa since the Roman times.

Further information about touring in and around Frankfurt can be obtained from the tourist information centres around the city, the Verkehrsverein (information bureau) stands in the station and airport as well as under the Hauptwache—the old watch headquarters in the middle of the city's shopping district. Here, too, one can obtain information on theatre, opera, concerts and exhibitions around town.

Charlotte Omondron



The Hauptwache—the old watch headquarters—and the main shopping area.

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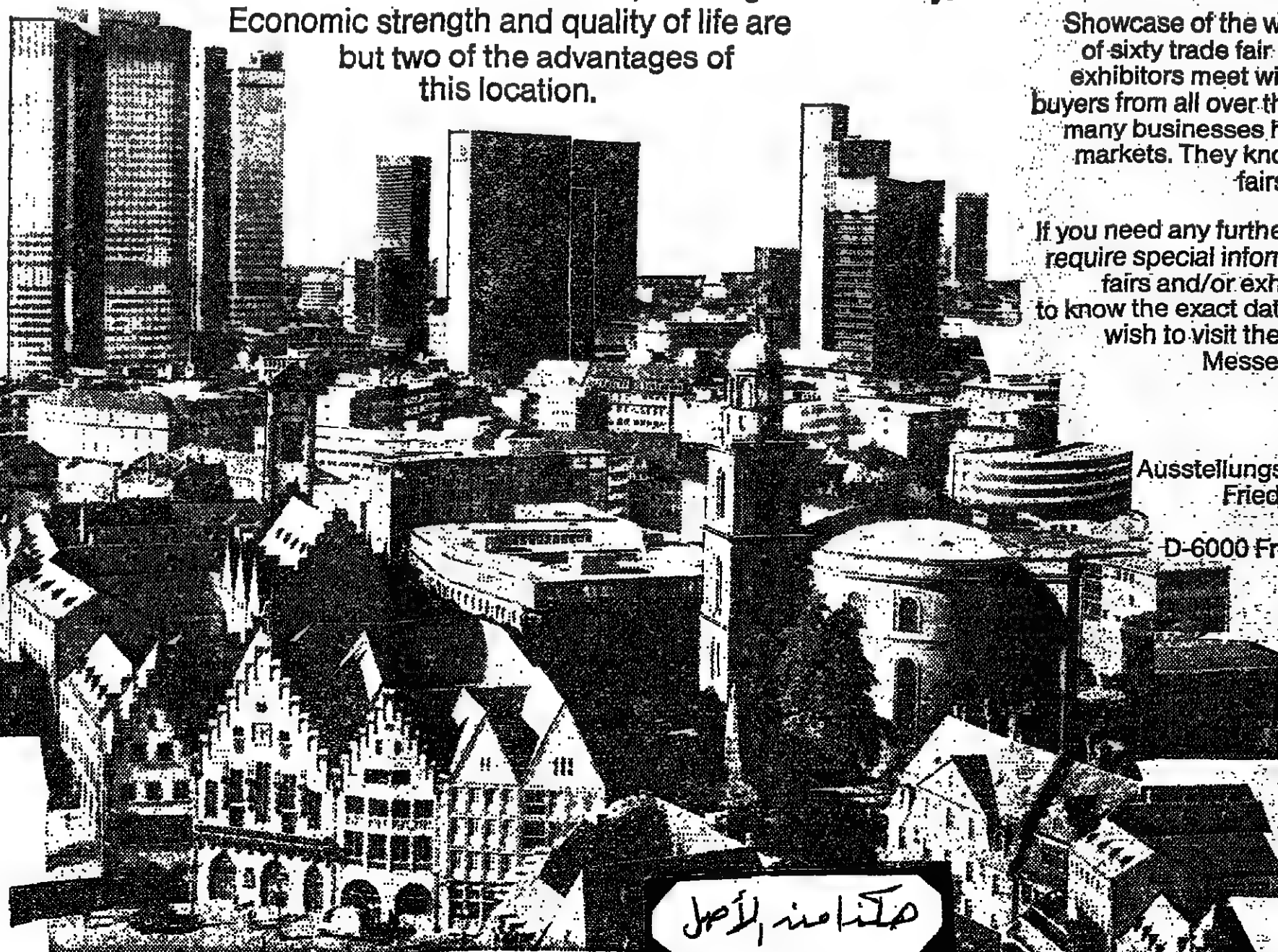
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Frankfurt



# The curse of Harold Macmillan



A pensive looking Harold Macmillan in 1963 with Lord Home, as he then was, his Foreign Secretary and soon to be his successor at 10, Downing Street.

THE CONSERVATIVE party has been going through another of its crises of confidence. There is no objective reason for this. But the signs are unmistakable: doubts about the leadership, and excessive introspection. The fact comes on every few months.

It is tempting to put the present bout down to the Berwick and East Lothian by-election and the re-emergence of Mr. Heath and perhaps these events were what set it off. But if you think about it for a moment, the party must have been in a particularly jittery state in the first place to be so upset by such relatively minor incidents.

Of course, it would have been much nicer if the by-election had been won. Mr. Denis Healey, the Chancellor of the Exchequer, would have been able to make taunts that the popularity of the Government's incomes policy has been decisively demonstrated by the voters.

Mr. Healey is talking nonsense. Not only is the incomes policy visibly failing to pieces: there is also no reason to think it had anything much to do with the result in Berwick and East Lothian. The Government is doing well in Scotland because of its long record of support for the Scottish people.

As for Mr. Heath, there is no particular evidence that he has been paying attention to Scottish affairs. It has to be shown that it is doing well in England. In other words, the situation is much the same as it was when Mr. Callaghan chose to postpone the general election.

Particular evidence that the Labour Party has ever suffered unduly at the polls because of its internal divisions, nor that its differences with the present Tory leadership are anything like as great as those which have existed—and exist—on the other side of the House. The

Conservative Party ought surely to be big enough to live with a little local difficulty. Yet the problem is that manifestly it is not. And again, it is the little things that upset it. It takes only the tiniest incident to throw the party back into a fit of self-doubt. There is very little sense of authority.

It would be tempting again to put the explanation down to absence from office. But this theory too does not hold up. The Tory Party was in office from 1970-74. When it returned to Opposition, it was by no means as upset as it is now. It is as if the party had been hit by a sudden blow.

Actually, it was the resignation of Mr. Harold Macmillan in 1963, and the particular circumstances which surrounded it. One does not even have to be especially well-informed to note the consequences which flowed from—and which are still flowing from—that event.

At the first place, Mr. Macmillan was the last Prime Minister to be elected in a general election. In the second place, the resignation led to two major refusals to serve under the new administration of Sir Alec

Douglas-Home. It may not have been clear then, but it became clear beyond doubt very shortly afterwards, that Mr. Lord MacLeod and Mr. Enoch Powell—once the closest of friends—represented different strands within the Tory Party. Both were romantics and both had popular appeal, though Mr. Powell's was developed later.

Yet, in so far as these terms have any meaning, Mr. Powell went off to the right while Mr. MacLeod remained on the left. The party was thus deprived, at least for a time, of two of its main buttresses, let alone of the now Lord Butler, who departed from politics prematurely.

There should be no doubting the bitterness of that period, despite the fact that the Tories did something to conceal it. Mr. MacLeod privately titled his famous "What happened?" article in the Spectator "Some of what happened." He also remarked that, contrary to the general impression, Sir Alec Douglas-Home was the most arrogant man he had ever met.

Sir Alec's own bitterness toward Mr. MacLeod is barely hidden between the lines of his autobiography. The bitterness between Mr. MacLeod and Mr. Powell as they subsequently parted ways after having acted together was a new factor.

It was not that Sir Alec was a bad Prime Minister. By general consent, and under the circumstances, he did rather well. Yet when—by the narrowest of margins—the Tories lost the general election in 1964, all the old feelings that had been partially suppressed after Sir Alec's appointment came out again. It was felt that he was not the right man for the job and that he would not have been selected

if the Party had had more time and more privacy in which to make the choice.

Indeed Sir Alec himself has written that he was unprepared for the task. Anyway, the display of naked ambition and rivalries that came to the fore at Blackpool in 1963 could never be completely covered up. Tories were not supposed to behave like that. Once they had done so, it would never be quite forgotten. It was as if a sense of legitimacy had been lost.

The result was that Sir Alec departed before his time. But equally Mr. Heath was elected to succeed him before he was ready. There was no particular need for the Tories to have a new leader in 1965 except that it was felt that they had made the wrong choice in 1963. Sir Alec—held no special brief for Mr. Heath, and in the normal run of events Mr. Heath might not have

been expected to go for the succession until towards the 1970s by which time he might have developed into less impulsive a figure, and one plainly ahead of his rivals. If he had not the succession would have naturally gone elsewhere.

In the event, Mr. Heath's election solved nothing. Between 1965 and 1970 the Conservative Party went through the same sort of periodic doubt, about the leadership, about policies, and about its general direction as it has been doing since the election of Mrs. Thatcher.

The respite should have come when Mr. Heath unexpectedly became Prime Minister in 1970, but in so far as it did, it lasted only as long as his premiership. In 1975 Mr. Heath was deposed quite as unceremoniously as he had deposed Sir Alec, and by a woman of startling Heath-like qualities.

True, both Mr. Heath and Mrs. Thatcher were elected by

ballot rather than emerging through the customary processes of consultation, but the Tory Party does not necessarily think that that is the best way of doing it. It is quite capable of regretting its own choices almost immediately afterwards. What it lacks back to is something like the laying on of hands. Thus in the late 1970s, as in the late 1960s, whenever anything goes wrong, the leadership is questioned and thoughts go back to that moment in 1963 when something was laid on of hands.

You can see the consequences of the events of 1963 to this day. Mr. MacLeod is dead and no one of his kind has emerged to take his place. Mr. Maudling—another of the then candidates for the succession—has faded into political limbo. Mr. Butler and Sir Edward Boyle—both now ennobled—went away to academic life. Mr. Powell stalks the House of Commons

and the country, and shows no sign of stalling. So nowadays does Mr. Heath. Both of these figures are a formidable, even hair-raising presence for any leader of the Conservative Party to live with, especially in opposition.

There was a particular instance towards the end of the debate on the Queen's speech in the House last week. Mr. Healey had been at his destructive best, partially defending his own U-turns in economic policy, but mainly just attacking the Tories. Then Mr. Powell rose. Mr. Powell explained at some length the fallacies behind the Government's approach to pay bargaining, but went on to say that he disliked the Tory approach even more. The point with which he had most fun was the distinction between a norm for pay increases and an average. An average, said Mr. Powell, was calculable ex post facto. Therefore it was a nonsense for the Tories to say that it could be put forward in advance.

As a matter of fact, the West Germans have no difficulty in putting forward a figure for what they think the economy can bear in the way of pay settlements and refusing to say whether it is a norm, an average, or a forecast. It also seems to stick.

What, in those circumstances, is Mrs. Thatcher to do? Well, there is a number of possibilities like dropping the Praetorian Guard which, some Tory MPs say, now consists mainly of Mr. Norman Tebbit and Mr. George Gardiner, and consulting some wiser members of the Shadow Cabinet instead. She might even try again to talk to Mr. Heath and even (why not?) Mr. Powell. Alternatively, she might just sit back and wait in the hope that

the Government will lose the general election when it comes, regardless of what the Tories do. That, of course, is the best bet, but it does not preclude the other possibilities.

Meanwhile, Mrs. Thatcher has reshuffled her shadows in a way that does not exactly pander to the Tory right. At the beginning of the week, the thought was that while Mr. Francis Pym would certainly be confirmed as shadow Foreign Secretary, he might be replaced as shadow Leader of the House by Mr. Angus Maude. Mr. Maude has some admirable qualities, not the least of which is literacy, but he is not well known as a constitutional reformer. The appointment of Mr. Norman St. John-Stevas—the authority on Bagehot—to succeed Mr. Pym thus suggests that the battle for reform has not yet been lost, even though Mrs. Thatcher herself has still to be converted.

It remains, however, that Mrs. Thatcher is not entirely her own master. She leads, if that is the word for it, an uneasy party, still unsettled by the hitch in the succession in 1963. It is not her fault, and there is obviously no way of having the 1963 decision reversed. But there is no way either of having it obliterated from the party memory—except by success. That would amount to establishing another Papacy. Perhaps the only real consolation is that suggested at the beginning: internal dissensions have not prevented the Labour Party from achieving office, so why should they prevent the Conservatives?

Malcolm Rutherford

## Letters to the Editor

### Farming incomes

From the European Director, AGRA Europe

Sir—Mr. Michael Strauss (November 16) is quite right: EEC farmers are all 45m of them, do not earn three times the average national wage—they earn far less.

The point which we are making in our report is that farmers' only average efficiency—those in the above 80 hectare category—are earning three times the national average wage in the important product categories of dairy products, cereals and sugar.

If these only very average performers can thrive on current EEC price levels, then the larger and more efficient farmers, who are increasingly taking over a larger proportion of Europe's land, must be profiting even more.

We do not accept Mr. Strauss's charge that the data we used was "unrepresentative." It is the same data which the EEC Commission itself uses in its annual price-setting calculations.

Our conclusions are in any case reinforced by further data based on a wider sample, due to be published by the Commission during the next few weeks. They are also supported by "representative gross margin" data published in the official journal of the EEC in June of this year.

Mr. Strauss's figures on the profit margins of the average British farmer, provided that he accepts that they are substantially less than those being earned on the Continent.

Indeed, he emphasises the main argument of our report: that current price levels in the main agricultural producing countries of the Community are so high that an annual cut in real prices of around 2 per cent to 3 per cent will do nothing to stem increases in the output of dairy products, sugar and cereals this side of 1985.

Efficient British farmers are making reasonable return on "tenant's capital." Efficient European farmers are making excess profits of 20 per cent to 30 per cent (above normal returns on capital). And this, approximately, is the difference between British and Continental prices afforded by the Green pound.

Brian Gardner, AGRA Europe, 216 Rue Stevin, 1040 Brussels.

### Transferring pensions

From Mr. D. Prescott

Sir—Mr. Shaw (November 10) notes the simple case of Company A and Company B swapping employees of similar salaries, ages and past service and asks whether it is fair that these employees should lose pension because of the swap. If Mr. Shaw investigates cases where two or more employers do exchange employees on a regular basis then he will find that many do have suitable transfer arrangements in their pension schemes. The service is a good example of its transfer club. Unfortunately, most transfers do not fall within this "swap" situation and therefore trustees and their advisors must treat each case individually with a view to being fair to all members.

The simple reason why transfer generally gets a raw deal is that trustees do not usually have enough money available to provide a transfer value which will secure a pension based on later it is assumed that individual's final salary will be, with allocating a disproportionate share of the fund, and that would be "unfair" on those who re-

main in the fund. The receiving fund is in the same boat and cannot grant a transfer. A full pension on an earlier period of service without a disproportionate allocation of assets to the detriment of the other members of that fund. If anyone wants a simple answer to the transfer problem it is—give all trustees' businesses post money!

In the real world, however, especially in the private sector, there is a limit to how much is available for pensions and while that persists, employers have to decide whether to spend it on those who remain with them or those who leave. In most cases there is no contest.

Hopefully our economy will allow the continual improvement of pension schemes both for those who stay and those who leave. It will, however, be a long time, I suspect, before the benefits provided for members who remain in service are at a level where employers feel justified in spending enough money to dramatically improve the lot for those who leave. Legislation could speed things up but there are many, widely issues to be considered before that. The Occupational Pensions Board is currently investigating this problem and perhaps we should all wait to see what their report says.

I am sorry Mr. Shaw, there is no simple answer. We are dealing with money and attitudes and there is too little of one and too much of the other, whereas they are needed the other way round.

D. A. R. Prescott, Bromley.

### Investment bonds

From Mr. J. Todd

Sir—Tax planning and the most appropriate means of achieving its aims is by its very nature a highly personal business. In practice, it often involves taking a financial view of an individual to obtain the correct diagnosis for a severe bout of high taxation. It is seldom wise, therefore, to be too doctrinaire about the demerits or otherwise of recommending a particular investment. In the circumstances, when Mr. Griffiths (Oct. 28) stated that higher rate taxpayers should approach the investment bond with the utmost caution, he was perhaps being too rigid without advancing any alternative.

With the passing of this year's Finance Bill, the substantial capital gains tax concessions applicable to a direct purchase of unit trusts have created a climate where it is generally in the best interests of an investor, irrespective of his personal tax position, to buy units rather than bonds for capital growth. Indeed, if a person is a high tax payer and he intends to pursue an active dealing policy then it would be even more advantageous to invest in units.

At retirement, however, the position is somewhat different. The high-tax payer will wish to reduce the tax burden as far as possible so that he may enjoy life to the full. The prospect of converting heavily taxed dividends into tax-free income will naturally appeal to him. Outside of the application of certain gilt-edged securities, the only effective means of achieving this is by an investment in an investment (or single premium) bond, preferably one which is linked to a high income unit trust in order that the 5 per cent per annum withdrawals can effectively be taken from net income. The rules governing the 5 per cent annual withdrawals, are sufficiently flexible to realise that in the great majority of instances, the tax charge will be

deferred until death, when it will become a charge against the estate for capital transfer tax.

The disparity between tax on income and tax on capital to which Mr. Griffiths refers will be of little relevance here, as a retired person would be ill-advised to commit a sizeable proportion of capital to unit trusts with low yields with the hope of securing tax gains from year to year. As there can be no absolute guarantee that such gains will materialise in any one year, it would be foolish in my view to recommend that a person should supplement his retirement income in this way.

Finally, a point worth remembering on the investment bond is that in many cases it is preferable to effect the bond in the joint names of husband and wife. In doing so, any tax charge will be delayed until the death of the survivor.

John Todd, 4th Floor, Castle Chambers, Castle Street, Liverpool.

### Regional accents

From Mr. S. Ashley

Sir—How intolerable was Mr. Faulkner's letter of November 1. In agreeing with Lord Snow that we would be better off without regional accents, he is being very short sighted.

The enormous variety that is displayed in the UK's accents, colours, faces, attitudes, etc., is one of its great glories. It is also a variety that cannot be escaped whether one is listening to the radio or walking down Waterloo Station—and thank goodness for variety breeds tolerance.

I suggest to both Mr. Faulkner and to Lord Snow that next time they hear the tortured vowel sounds of a Glaswegian emanating from the radio they think on the 1,000 years of history that created those sounds; or perhaps they could profitably imagine the clash between the plummy voice of an Eton and Oxford banker and the burlesque practical sounds of a black country artisan out to exploit each other's inherited talents.

Would this country really be better off if the banker and the artisan both spoke with the neatness of BBC standard English? Of course not.

S. Ashley, 3, Princes Road, Wimbledon, SW19.

### Obstructive metrication

From the President and Secretary, Scottish Housewives' Association

Sir—It would be difficult to deduce from your remarks on the Metrication Board Report (November 3) that metrication is now, officially, voluntary. That is the ruling of Parliament and it means that there is to be no coercion.

Why then should there still exist a Metrication Board with its expensive offices in Kingsway, London, its salaries and advertising paid for out of taxes, whose function is to coerce people?

The propaganda emanating from this "Quango" has been exposed in your correspondence columns in the past, but still its false claims are quoted far and wide—in the very best and most reputable Press—without restraint.

We see the Metrication Board clinging to the farcical claim that Britain's "competitive strength in world markets" is affected by the British using

British measures in its domestic market. There is no foundation in fact for such an idea: counter-evidence abounds to disprove it.

The criteria that hold for trading are simple: providing the goods that are wanted at the price they are wanted and at the price they are wanted. The Metrication Board by its activities obstructs these criteria for the British shopper; its demise would be welcome.

Margaret Needham, Elizabeth Main, Drumgray, Edrom, Duns.

### Above average intelligence

From Mr. C. Underhill

Sir—I was interested by the letter from Mr. Lisney (November 9) because I have recently been subjected to the opposite argument, i.e., that there will be growing unemployment because of a proliferation of low-level "production-line" jobs at the same time as the general level of attainment in the population is rising. Yet Mr. Edwards' comments on the shortage of good engineers in BL lends support to Mr. Lisney.

I wonder if there is not something in both arguments. Could it be that in fact the level of intelligence in the general population remains normally distributed with the average near to where it always has been, but that the curve of "intelligence related to jobs" is becoming, or has become, double-humped, with one peak at the lower end and a second at the top end but a trough in the middle? If this is so, it would imply a large number of the average intelligent faced with the options of taking a job too demanding for them, so running head-on into the "Peter Principle," or accepting a lower level job than they are really fitted for and becoming easily bored, discontented and demotivated.

C. W. Underhill, 16, Edinboro, Ambergate, Derbyshire.

### The market in steel tubes

From the General Manager, City Steelstock

Sir—The letter from Mr. Schumann (Nov. 14) concerning the supply of steel tubing from British Steel Corporation raises the objection that steel stockholders have been fighting against for many years.

It is not surprising that material is not available off the shelf direct from the steel mill when the BSC is geared to large volume manufacture and not to holding large stocks of finished tube at its works. The rapid growth in steel stockholding has been in part due to the need to bridge the gap between the manufacturers who need to produce in volume and the user who wants much smaller quantities.

It is not always true either that one pays a premium for steel tube purchased from a stockist. Small quantities are often the same price or even cheaper from a stockist than from the mill. Mr. Schumann states that his building programme has been delayed by six weeks due to the extended mill delivery which has increased the real cost of his steel considerably.

Distribution through stockists is as important in the steel industry as in any other field, and the steel stockholder does provide a very necessary service to the steel user.

G. Mather, P.O. Box 14, 48-50, West Street, Middlesbrough, Cleveland.

## Today's Events

GENERAL  
Ford management and unions resume pay negotiations.  
Retail prices index for October.

ECB/OECD officials discuss extending EEC code of conduct for companies operating in South Africa to OECD members.  
Mr. Edward Heath speaks at Bow Group jubilee dinner, Grand Hotel, Birmingham.

Statement from President Eanes of Portugal at end of state visit.  
EC Budget Council meets in Brussels.

Prime Minister Giulio Andreotti of Italy talks to Jordanian Government in Amman.  
Mr. David Steel at Liberal Imperial College, London.

Last day of European Parliament meeting in Strasbourg.  
Sir Peter Shore, Environment Secretary, speaks at Homeless Labour Party.

Dr. David Owen, Foreign Secretary, attends annual dinner of North Labour Party.  
King Juan Carlos leaves for tour of Mexico, Peru and Argentina.

"Financial Times" conference on "Business in Mexico" in Mexico City, ends.  
Times management and NGA leaders meet to discuss introduction of new technology.

Class meeting at AEC, Southall (part of BL), to discuss resistance to factory closure.

Statement from civil air transport employers on pay claim.  
Sime Darby annual meeting, Kuala Lumpur.

Sir Kenneth Cork, Lord Mayor of London, lunches with Master Mariners' Company aboard HOS Wellington, and dines with Coopers' Company at Mansion House, EC, 10.30. TV Centre.

Official statistics  
Preliminary estimate of gross domestic product based on output data (third quarter).

Parliamentary business  
House of Commons: Debate on the report of the Royal Commission on Civil Liability and Compensation for Personal Injury.

COMPANY RESULTS  
Final dividends: Radley Fashion Group. Interim dividends: F&A Construction Group; F. H. Lloyd Holdings; Wedwood. Interim figures: Eucalyptus Pulp Mills.

COMPANY MEETINGS  
Brown Bros. Corporation, Great Eastern Hotel, EC, 11.30; Banks (S. C.), Garden House Hotel, Cambridge, 12; Fairview Estates, Winchester House, 100, Old Broad Street, EC, 10.30; TV Centre, Cardiff, 12.30; Kent (M. P.), The Towers, St. Stephen's Road, Bracon, 11.15; Bath, 12; Mucklow (A. J.), Chamber of Commerce, Edgbaston, Birmingham, 10.30; Sandhurst Marketing, Spindle Way, Crawley, Sussex, 10.30; Starline, Great Danes Hotel, Ashford Road, Hollingbourne, Kent, 11.45.

## If you're in the new State Pension Scheme, retirement could bring you down with a bump.

By now, you're either in or out of the New State Pension Scheme.

If you're in, what should concern you most is what you're going to get out of it.

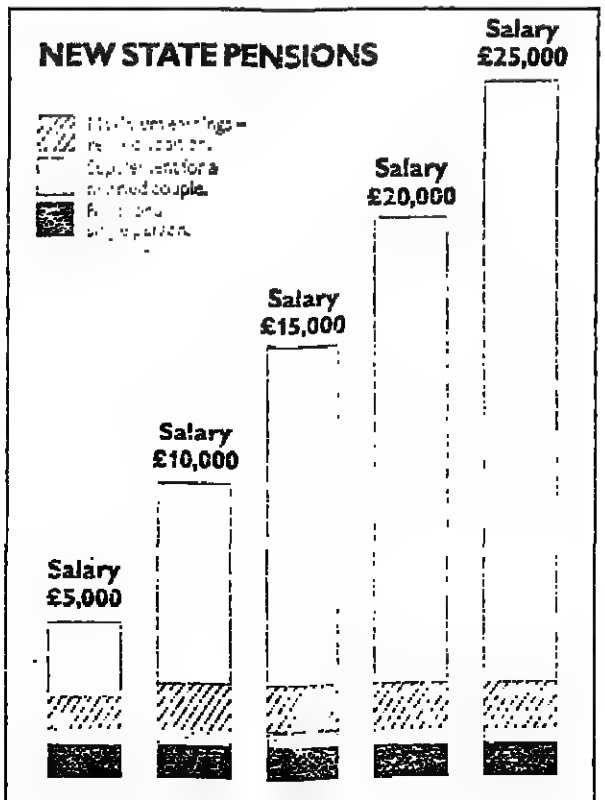
What you will probably get is an inadequate pension at retirement.

Quite clearly, there's a large gap between salary and pension, and the higher the salary the bigger the gap—and that's where we can help you.

Equity & Law have the right policies—both for individuals and groups of employees—not only to help close the gap, but to provide what the State Scheme does not, a cash sum at retirement or a lump sum benefit on death before retirement.

Call your financial adviser, or contact us direct at any of our Branches.

Then you'll have more to look forward to.



## Equity & Law

Equity & Law Life Assurance Society Limited 20 Lincoln's Inn Fields, London WC2A 3ES.







Martonair

## RECORD RESULTS

Mr. George Godwin reports

- \* I am very pleased to report another year of solid progress, resulting again in record turnover and profits. Profit for the year before taxation rose to £4,887,732 an increase of 33% over the figure of £3,654,816 in the previous year.
- \* The maximum permitted final Ordinary dividend under current restrictions is 4.28p per share and a dividend of this amount is proposed for payment on 12th January, 1979. This payment, together with the interim dividend of 1.75p per share paid on 18th May, 1978 will make a total Ordinary dividend of 6.03p for the year. We are also proposing a one-for-ten scrip issue.
- \* Group turnover increased from £26,692,472 to £30,469,341 of which more than 75% was in respect of direct exports from the U.K. and sales by overseas subsidiaries. Our sales organisation in U.K. has continued to make excellent progress and turnover increased from £5,876,358 to £7,423,074.
- \* We have made a good start to the current year and turnover and sales, both in the U.K. and overseas, are ahead of the corresponding figures for the previous year. In the absence of unforeseen circumstances, we again expect to consolidate and improve our trading position in the coming year.

## MARTONAIR INTERNATIONAL LIMITED

Manufacturers of pneumatic control equipment

## TRAFFORD PARK ESTATES LIMITED

Extracts from the Accounts presented at the 32nd Annual General Meeting held in Manchester on 16th November 1978

Year ended 30th June	1978	1977
Profit before interest and tax	1,433,664	1,274,636
Interest payable	(409,866)	(470,749)
Profit before tax	1,023,798	803,887
Taxation	(383,083)	(330,591)
Minority interests	(23,947)	(26,705)
Cost of Dividends	337,428	302,174
Retained Profits	538,580	514,307
Earnings per share	8.12p	5.07p
Net Dividends per share	4.08p	3.63p
Net Assets per share	99.18p	95.11p

## Firm date imminent for Swan hand-out

WITHIN THE next three days or so shareholders of Swan Hunter will be told when they can expect the cash handout planned under the company's capital reconstruction scheme.

The Board is now putting the finishing touches to the scheme, which follows nationalisation of the shipbuilding operations and the £15m compensation received from the Government.

In July the company said that it intended to include the details of the scheme in its annual report and accounts.

Yesterday it was learnt that within the next few days the company would be giving the Stock Exchange a final date for publication of the scheme.

The basic principles of the scheme are already known. The company will go into voluntary liquidation and shareholders will be given the £15m compensation money and any surplus cash not required for Swan Hunter's remaining activities. These activities would then be continued under a new company in which Swan Hunter shareholders will receive new shares.

## BECKER EXPANDS

Becker Group, the paint concern, has bought Conway Coatings in a move to expand production. Becker, the U.K. is a wholly owned subsidiary of A. B. Wilh. Becker of Stockholm.

## Valor optimistic after 36% midway increase

ON TURNOVER up from £18.43m to £19.55m, pre-tax profit of Valor, maker of heating and cooking appliances, jumped by 36 per cent to £7.1m for the first half to September 29, 1978.

Describing the results as "cheerful", Mr. Michael Montague, chairman, anticipates that second half results will also be "pleasing".

Prospects continue to improve due to ever growing public awareness of the financial benefit of gas appliances as a reliable low cost energy source and Valor's technological competence enabling the company to increase market share, he added.

The net interim dividend is raised from 0.70p to 0.72p per share. The chairman states that the measure of the final outcome of the year will influence the extent to which the directors decide to take advantage of the room the company possesses to increase the overall dividend.

Basic earnings per share are stated at 3.02p for the first half, against 3.12p last time. Fully diluted earnings are shown to be 4.73p (3.00p).

For the full year to March 31, 1978 pre-tax profits amounted to £1.65m on which dividend of 2.13p was paid.

Mr. Montague says that confidence is encouraged by the publication of official statistics indicating known UK reserves of natural gas to have risen in the last four years up to the end of 1977.

Turnover and related profits from overseas operations are consolidated at a lower sterling figure due to the change in exchange rates of the relative currencies.

Negotiations are at an advanced stage to refinance short term borrowings with a term loan from a clearing bank. At the same time some term debt will be reduced from the company's own cash generation.

The chairman says that within a few weeks Valor will start producing two new balanced flue radiant gas heaters. Several other completely innovative appliances have successfully completed test, an outstanding one of which will be shown to the public next spring at the Ideal Home Exhibition. These new products are intended for the 1979/80 season.

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## Boots profits improve to £51m in first half

ANNOUNCING a 7.1 per cent increase in pre-tax profit from £47.6m to £51.1m in the first six months to September 30, 1978, the directors of Boots Company say they continue to expect that satisfactory results will be achieved over the full year.

First-half sales improved by 22.8 per cent from £391.7m to £480.0m. After tax up from £24.8m to £27.2m, net profit rose from £22.8m to £25.8m.

As forecast, the net interim dividend is lifted from 1.077p to 1.25p a share. In addition, because of the reduction in the standard rate of tax, a third interim dividend of 0.029p in respect of 1977/78 will be paid at the same time.

Last year's previously declared total was £2.02p and was paid on U.K. and Germany are making satisfactory progress. Margins, particularly of pharmaceuticals, have suffered somewhat due to difficult conditions in world markets.

Increases at home and overseas and the recent acquisitions in the U.K. and Germany are making satisfactory progress. Margins, particularly of pharmaceuticals, have suffered somewhat due to difficult conditions in world markets.

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## J. Spear down at half time

FROM LOWER sales of £2.75m against £2.94m, profits before tax of J. W. Spear and Sons fell to £12,835 in the first six months of 1978. The directors expect turnover in the second half to slightly exceed in value that for the second half of 1977, but profits will be somewhat lower. For the year to December 31, 1977, the group reported profits of £23.5m from turnover of £8.95m.

Turnover in the first half of 1978 was down by some 6.5 per cent in value due to difficult conditions in export markets and to a level of fine-off in demand for some products, say the directors. The profit reduction was due to increased costs and expenses connected with the move to the new factory.

The interim dividend is raised from 0.638p to 0.7p and the directors intend to recommend payment of the maximum permitted final-dividend of 1.25p.

Shareholders are also receiving a supplementary dividend of 0.018p in respect of 1977 as a result of the reduction in the rate of A.C.T.

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## First half downturn for Alida

In the half year ended September 30, 1978, sales by Alida Packaging Group were a little behind at £4.6m, against £4.6m, and profits before tax fell to £108,748 from £228,478.

The company, which recently became a subsidiary of the Rockware Group, is not declaring an interim dividend.

Because of the basis adopted in providing for deferred tax, the directors believe it would be misleading to provide for corporation tax in the half year. If tax at the full rate of 52 per cent was charged it would amount to £118,508 (£175,357).

## Nine months results from Royal Insurance

## ESTIMATED RESULTS

The estimated Group results for the nine months ended 30th September 1978 with comparative figures for the corresponding period in 1977 and for the full year 1977 are given below.

	9 months to 30 Sept. 78	9 months to 30 Sept. 77	Year 1977
General Insurance: Premiums Written	841.4	635.6	1,235.5
Underwriting result:			
U.S.A.	2.3	-8.3	0.2
U.K. and Irish Republic	7.7	12.9	10.3
Canada	8.6	13.0	7.2
Australia	-0.4	0.7	0.4
Europe (ex. U.K. and Irish Republic)	-2.0	-2.6	-4.8
Other Overseas	2.8	2.6	1.9
Total	19.2	17.8	15.2
Long term insurance profits	3.5	1.7	4.4
Investment Income	88.6	82.6	112.0
Share of Associated Companies' profit	1.3	2.2	2.3
Total profit before taxation	112.4	104.3	133.5
Taxation	45.5	39.5	54.3
Minority interests	0.2	0.2	0.3
Adjustment under Canadian Anti-Inflation Regulations	-	-	2.5
Profit after taxation (pence per unit)	66.7	64.6	74.7
(44.4p)	(43.0p)	(48.3p)	
The operating ratios for the U.S.A. on the U.K. basis are:-			
Claims as % of earned premiums	88.0	72.2	70.0
Expenses as % of written premiums	20.0	29.3	29.2
Operating ratio	88.0	101.4	99.2

## EXCHANGE RATES

In the above figures foreign currency has been converted according to our normal practice at approximately the average rates of exchange ruling during the period. The principal rates were:-

	9 months to 30 Sept. 78	9 months to 30 Sept. 77	Year 1977
U.S.A.	\$1.90	\$1.72	\$1.75
Canada	\$2.14	\$1.81	\$1.84
Australia	\$1.66	\$1.56	\$1.57

Although the premium income growth in sterling was only 0.6%, in local currency terms the underlying growth was 8.6%.

The effect of the changes in exchange rates on the comparison of results between 1978 and 1977 was also significant, the underwriting profit being adversely affected by £2m and investment income by £5.8m. The underlying growth in investment income was 15.4%.

## UNDERWRITING RESULT

In the United States there was a significantly better result compared with the corresponding period last year with all major lines showing improvement. As mentioned previously this year increased profits continued to be achieved in property business whilst losses were reduced in automobile, liability and workers compensation.

In the United Kingdom there has been an excellent recovery from the severe impact of weather and large fire losses in the first quarter on the property account. Personal motor business has incurred a marginal loss.

In Canada the lower level of underwriting profit this year reflects generally increased competition and an increase in claim frequency in the personal automobile line. Market conditions remain difficult in Australia. There has been some loss of business because we have, in accordance with our general policy, maintained our determination not to accept business at clearly uneconomic rates. Satisfactory experience in the motor and workers compensation accounts was offset by a continuing loss in the householders account; overall there was a small underwriting loss.

In Europe the improvement was due to a reduction in the underwriting loss in the Netherlands from £3.4m to £1.4m which more than offset some deterioration in other European countries.

In the Other Overseas territories results overall were profitable.

## LONG TERM INSURANCE

New business in the first nine months of the year with corresponding figures was:-

	9 months to 30 Sept. 78	9 months to 30 Sept. 77	Year 1977
New Life and Annuity Premiums:			
Periodical Premiums	16.4	12.5	17.5
Single Premiums	16.3	16.6	21.0
Total	32.7	29.1	38.5
New Sums Assured	830.5	640.6	802.3
New Annuities per annum	36.9	24.5	37.2



## Braby Leslie Ltd

Mechanical and Civil Engineers

## INTERIM STATEMENT FOR THE SIX MONTHS ENDED 30th SEPTEMBER 1978

	Half-year ended, 30th September	Year ended 31st March
	1978	1977
Turnover	15,094	15,417
NET PROFIT before taxation	1,041	1,156
Taxation (note 1)	(430)	(447)
NET PROFIT after taxation and before extraordinary items	611	709
Extraordinary items	611	709
Earnings per Ordinary Share (note 2)	6.0p	7.0p
Earnings per Ordinary Share assuming full tax charge at 52%	4.9p	5.5p
Net tangible assets per Ordinary Share	78.6p	61.4p

NOTES:  
1.—No provision has been made for deferred taxation where there is reasonable probability that it will not crystallise in the foreseeable future.  
2.—The earnings and net tangible assets per Ordinary Share at 30th September 1978 have been based on 10,



## BIDS AND DEALS

# Avon Rubber pays £1.9m suspended for rest of Lippiatt

AVON RUBBER, the rubber and plastics group is paying £1.9m cash for the outstanding 67 per cent of Avon Lippiatt Holdings it does not already own.

ALH carries out repair work on underground pipelines, principally for the gas industry — using systems it has developed jointly with Avon. In the year to February 28, 1978, ALH earned pre-tax profits of £384,000.

Mr. Peter Fisher Avon's managing director said that his group was already a major supplier of materials to ALH — generating sales of around £1m a year. Avon acquired its 33 per cent stake in the group in 1972. ALH with net assets of £678,000 excluding deferred tax of £379,000 — had recently been looking overseas for orders and was currently working on pipelines in Tokyo.

ALH profits have continued to rise in the current year and unaudited figures for the first half show pre-tax profits of £1m compared with £150,000 for the same period last year.

By comparison Avon's first-half profits were down £100,000 at £2.4m — following last year's sharp recovery when pre-tax profits more than doubled to £3.4m.

To pay for ALH Avon is raising £1.9m as a medium-term loan from National Westminster Bank. Further payments of £250,000 apiece will be made on the semi-annual basis of the deal. These future payments to be met out of Avon's cash-flow.

**BRETNALL BEARD**  
Brettnall Beard (Holdings) has paid the additional purchase consideration of £489,473 in the

offer of Rose Thomson Young (Underwriting) as per the agreement dated August 3, 1974, which allowed for additional monies to be paid if excess profits were made. Additional consideration has been met by the issue of 167,000 ordinary shares at 30p each and the balance of £389,473 in cash.

## ALEXANDER RUSSELL

Alexander Russell has acquired the capital of Welsh Block and Brick (Newport), a producer of light-weight aggregate building blocks. The acquisition will expand Russell's existing capacity for the manufacture and sale of similar products in Wales and the West Country.

The company has been acquired at the net asset value and the consideration of £125,000 was settled in cash. Although the unaudited accounts of Welsh Block for the year to May 31, 1978, showed a loss of £50,000, the company has operated at a modest profit in the five month period to date.

## NORWEST HOLST'S BORROWINGS UP

Substantial changes in the pattern of Norwest Holst's borrowings are shown in a document addressed to shareholders concerning the purchase of the Robert McEwen Group. His purchase borrowings had risen to £2.25m at the end of October from £1.16m in the March 31 balance sheet, while foreign currency borrowings and mortgages were up to £2.16m from £583,000.

However, the paying-off of the

majority of Norwest Holst's 7 per cent convertible stock left only 257,530 outstanding against £1.87m in March, and bank overdrafts and UK mortgages were lower.

The document shows McGregor, which Norwest Holst is buying for £2m, payable in three annual instalments, from family interests, as having had net tangible assets of £3.8m at end-March 1978, in which plant and machinery counted for £3.0m and freehold land and buildings for £634,000. Net current assets amounted to £270,000 and there was a liability amounting to £284,000 for hire purchase liabilities falling due after March 31, 1978.

The McGregor group made profits of £283,000 (unaudited) on sales of £7.1m in the half-year to September 30. In the year to March 1978 it earned a pre-tax £43,000 on sales of £11.1m, against £463,000 on £8.6m in 1977-78.

## REDMAN HEENAN LAND PURCHASE

Redman Heenan International has agreed to buy for £720,000 from the Drayton Corporation, the Blakely Trading Estate on the outskirts of Worcester. The group is considering moving its Heenan Drives subsidiary to a new purpose-built plant on the site.

The estate has some 24 acres of undeveloped land — 12 acres of which is immediately available for industrial development. RHI says it has bought the site to assist its long-term development programme. In addition to the undeveloped land the estate also has 17 industrial units — totalling 45,000 square feet — all currently

## Staflex shares

### suspended

PATIENCE MUST still be the watchword for shareholders of Staflex International, the textile company which has spent the year slimming down its business in order to repair its finances.

Yesterday, the shares were suspended pending clarification of the financial effects resulting from the proposed disposal of its European marketing interests to DII Industries Europe SA.

At the end of August shareholders were sent a circular which outlined the package of disposals and refinancing Staflex had embarked on.

The key bank was the proposed sale to DII of Staflex's entire European marketing distribution network. The idea was for Staflex to retain its modern Dutch manufacturing plant which would be turned into a fabric coating factory working entirely on commission.

DII and Staflex agreed to an interim arrangement under which DII was to finance the Dutch factory order to keep it in operation until the distribution sale was finally negotiated. Staflex expected to sign the sale contracts early last month, but yesterday it said that the negotiations were still continuing. They were proving complex. In the light of this the Board and its advisers thought it prudent to suspend the shares.

## MR. LACEY BUYS INTO B. WARDLE

Birmingham and Midland Counties Trust has lost no time in finalising its takeover of B. Wardle, which it thought to have made out of its 42 per cent stake in Weston Evans following the successful takeover by Johnson Firth Brown.

Yesterday, BCI, a private investment group, led by Mr. Graham Ferguson Lacey and Cecil McBride, announced that it had bought a 10.22 per cent stake in Wardle. The takeover was a surprise, as the factory, which manufactures and exports, largely used in car roofing, BCI was criticised by Weston Evans Board when it raised its 26 per cent stake in over 100 per cent thereby securing an automatic bid and an acrimonious tussle for the company.

Yesterday, Mr. Ferguson Lacey was careful to announce that BCI's intention was to increase its holding (in Wardle's) the opportunity arises although it is not envisaged that this investment will exceed 25 per cent. The purchase is also clearly described as being "for investment purposes."

In its last full year Wardle made profits of £1m (£770,000) on a turnover of £18.6m (£13.3m). In the year to June 30, 1978, the turnover rose to £20.0m, the profit to £1.1m (£810,000) despite higher turnover. Over the past fortnight Wardle's share price has risen from 7p to 36p, but following the announcement that BCI's purchase was made, the price came back to 34p yesterday.

## SEL TRUST: A SECOND INTERIM

SELECTION TRUST, the London mining finance house, yesterday declared a second interim divi-

## FEB INTL

Feb International has acquired the freehold of the factory and head office of its chemical division, Feb GT Britain, at Swinton, Manchester, from the Co-operative Insurance Society for £250,000. The property was previously held on a long lease with 144 years unexpired and rent reviews every 14 years. The current rental was £15,000 per annum. The property has been professionally valued at £175,000.

The purchase is financed by a medium-term loan from Barclays Bank repayable in equal quarterly instalments over a 10-year period with interest at 2 per cent over Barclays base rate.

## BRICOMIN INV.

The offer by Bricom Investments for New York and Gartmore Investment Trust has been accepted in respect of 2,988,063 shares.

## COMPANY NOTICES

**MCCARTHY GROUP LIMITED** (Incorporated in the Republic of South Africa)  
NOTICE IS HEREBY GIVEN that the 1978-79 financial year of the company has ended on 31st December 1978 and that the audited accounts for that year have been prepared and are available for inspection at the registered office of the company, 2107, Marshalltown, 17th November 1978.

The directors declared in the currency of the Republic of South Africa that the accounts for the year ended 31st December 1978, as shown in the audited accounts, are true and correct and that the directors are not aware of any circumstances which might lead to a material change in the financial position of the company.

By order of the directors,  
J. J. CLOUSTON, A.C.S., Secretary.

**NOTICE OF CONVERSION PRICE**  
5% SUBORDINATED GUARANTEED DEBENTURES OF KATKA ALUMINUM INTERNATIONAL COMPANY  
The directors of Katka Aluminum International Company, a company incorporated in the Republic of South Africa, have decided to convert the 5% Subordinated Guaranteed Debentures of the company, which were issued on 1st January 1978, into ordinary shares of the company at a conversion price of 100 pence per £100 of debentures.

The conversion of the debentures into shares will be effected by the issue of new shares to the holders of the debentures on 1st January 1979. The conversion of the debentures into shares will be effected by the issue of new shares to the holders of the debentures on 1st January 1979.

By order of the directors,  
WILLIAMSON, Secretary.

**PUBLIC NOTICES**  
GATESHEAD METROPOLITAN BOROUGH COUNCIL  
Notice is hereby given that the 1978-79 financial year of the Council has ended on 31st March 1978 and that the audited accounts for that year have been prepared and are available for inspection at the registered office of the Council, 15, 17, 19, 21, 23, 25, 27, 29, 31, 33, 35, 37, 39, 41, 43, 45, 47, 49, 51, 53, 55, 57, 59, 61, 63, 65, 67, 69, 71, 73, 75, 77, 79, 81, 83, 85, 87, 89, 91, 93, 95, 97, 99, 101, 103, 105, 107, 109, 111, 113, 115, 117, 119, 121, 123, 125, 127, 129, 131, 133, 135, 137, 139, 141, 143, 145, 147, 149, 151, 153, 155, 157, 159, 161, 163, 165, 167, 169, 171, 173, 175, 177, 179, 181, 183, 185, 187, 189, 191, 193, 195, 197, 199, 201, 203, 205, 207, 209, 211, 213, 215, 217, 219, 221, 223, 225, 227, 229, 231, 233, 235, 237, 239, 241, 243, 245, 247, 249, 251, 253, 255, 257, 259, 261, 263, 265, 267, 269, 271, 273, 275, 277, 279, 281, 283, 285, 287, 289, 291, 293, 295, 297, 299, 301, 303, 305, 307, 309, 311, 313, 315, 317, 319, 321, 323, 325, 327, 329, 331, 333, 335, 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2773, 2775, 2777, 2779, 2781, 2783, 2785, 2787, 2789, 2791, 2793, 2795, 2797, 2799, 2801, 2803, 2805, 2807, 2809, 2811, 2813, 2815, 2817, 2819, 2821, 2823, 2825, 2827, 2829, 2831, 2833, 2835, 2837, 2839, 2841, 2843, 2845, 2847, 2849, 2851, 2853, 2855, 2857, 2859, 2861, 2863, 2865, 2867, 2869, 2871, 2873, 2875, 2877, 2879, 2881, 2883, 2885, 2887, 2889, 2891, 2893, 2895, 2897, 2899, 2901,



## Indonesian operations boost Ultramar's profits and cash flow

to the Badak LNG Plant which is operated on a break-even basis.

To match income with these deductions, the group's entitlement is adjusted to reflect an equal annual charge for debt service rather than the uneven repayment schedule established for the loans, all of which are repayable within a 12-year period starting in 1977. Effectively, the cost of the plant will be fully amortized by the end of 1989.

A statement of source and application of funds shows working capital of \$33.87m (\$4.24m) as at September 30. Long-term loans totalled \$64.47m (\$83.15m).

**● comment**

Ultramar is still playing the dividend card close to its chest. A final decision on whether to continue with the "scrip in lieu" of cash (which has been issued since

14 further over the next two years as  
Ultramar tries its luck in the  
North Sea (assuming it gets  
something out of the sixth round)  
and expands in Canada. The  
shares closed 4p lower at 226p.

# London Prudential makes headway

Before management expenses and loan interest of \$31,938 compared with \$20,343, total gross revenue of London Prudential Investment Trust improved from \$153,158 to \$195,283 in the six months to October 31, 1978.

Tax for the period took £54,812 (£47,244) and earnings per share rose from 1.52p to 1.81p.

The net interim dividend is raised from 1.25p to 1.5p—an increase of 20 per cent. Last year's total payment was 2.85p.

At October 31 the net assets per share was 102.8p.

The information in the columns below is supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures, which are in pence except where otherwise stated, are unaudited.

Applies to Ordinary/A\* Ordinary: only. 1. Includes special dividend. or Adjusted for stock issue. or Adjusted for rights issue. 1. Company with unsecured zero-cost or zero-cost security. 2. See note 2b below. or Not directly comparable with previous published figures. 2. Dependent on "B" share conversions. 3. Change in the number of shares since the previous published figure.

Notes:  
Quoted investments are valued at mid-market prices; unquoted at directors' valuations; both include 10% per cent. of any investment currency premium after adding into account the premium on any surplus or on any shortfall of foreign currency amounts against foreign currency limits.  
All revenue account items are excluded.  
No account has been taken of any liability in respect of taxable gains which might arise on future disposal of investments.  
Amounts are per share/stock unit or per £100 Convertible Loan Stock. Columns 5 previously stated; columns 6-8 to nearest one-eighth of a penny.

1. Cols. 1, 6, 7  
2. Cols. 1, 6, 7  
3. Cols. 1, 6, 7  
4. Cols. 5-8

(b) Cols. 6-7  
The amount per share/stock unit represented by 10% per cent. of the investment currency premium applied in calculating the valuation for Cols. 6 and 7.  
Convertible loan/preference stocks are treated in the way which produces the lower n.a.v. per share. Convertible stocks are treated as fully converted at the rate for the next conversion date, or where a figure is marked "x" as scrip shares; warrants or subscription rights are treated as unexercised.

(c) Cols. 6-8

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## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## NORTH AMERICAN NEWS

## Uniroyal withholds final dividend to conserve cash

BY JOHN WYLES

NEW YORK, Nov. 16.

UNIROYAL, the third largest rubber manufacturer in the U.S., yesterday underlined its cash shortage by withholding declaration of an end-year dividend on its preferred and common stock. At the same time, the company's board abandoned its offer to exchange a new series of convertible subordinated debentures due in 1986. According to a spokesman, a variety of factors had contributed to the decision, which was clinched by the low earnings now forecast for 1978 and the continuously rising costs of money.

Uniroyal paid a 12 1/2 cents regular quarterly dividend on September 30 and \$2 on its preferred stock at the same time. The company said that the preferred dividend must be earned before it is declared and paid. Since 1976 earnings were expected to be low, it was considered prudent to set aside any declaration on the preferred at this time.

Uniroyal has been undergoing a major in-house surgery for the past four years in an effort to reduce its debt burden and to eliminate unprofitable or marginal product areas. With \$475m of long term debt, the company's debt-equity ratio is almost one to one, while an \$854.5m of unfunded pension liabilities. As a tyre manufacturer, Uniroyal is considerably smaller than either Goodyear or Firestone, and its earnings in the U.S. and Europe have been hurt by the price cut in the tyre industry. Uniroyal's domestic footwear division is being sold on a private investors after increasing losses, while golf equipment and fabrics businesses have already been sold.

In the nine months to the end of September, Uniroyal's sales were up 2.8 per cent, about the same as last year.

But net earnings fell from \$34.7m to \$3.1m. The company is not expected to do much better than break even this year, and clearly the passing of dividends is a withholding of resources aimed at tidying the company over until it begins to reap the benefits of rationalisation.

Among other things, it is pinning its hopes on a new pension programme, which puts future pension benefits after December 31, 1978, on a pay as you go basis.

## Earnings rise at Arthur Andersen

By Our Own Correspondent

NEW YORK, Nov. 16.

A 52 per cent surge in overseas earnings has helped Arthur Andersen, the fourth largest U.S. accounting firm, to a 17 per cent increase in partner's profits for the year ended August 31.

Andersen's annual report released today adds to the picture of an extremely good fiscal 1978 for the U.S. accounting industry. Andersen recorded a 16 per cent increase in fees to \$345.9m, which compares with a 17 per cent increase to \$298.7m in fiscal 1977. U.S. earnings were up 14 per cent in fiscal 1978 and which claims that it is still number one.

A central feature of Andersen's report is the spectacular growth of its overseas operations. While U.S. fees rose 13 per cent to \$235.9m, fees earned abroad rose 25 per cent to \$109.9m. U.S. earnings were up 12 per cent, while income from all other countries leapt 72 per cent. Earnings for the year rose from \$114.1m to \$153.7m, including a currency translation gain of \$2.13m compared with a loss of \$1.62m in 1977.

This left active partners earning an average of \$119,000 each at the year end, up 17 per cent from last year's \$102,000.

According to the annual report, 35 per cent of the company's non-U.S. fees came from Europe, 16 per cent from South America, 9 per cent from Canada, 7 per cent from Australia and 6 per cent from Japan.

The company recently sold its holdings in Argus Corporation of Toronto.

Power's nine-month earnings were \$27m or \$2.03 per share against \$16.3m or \$1.12 a share. Gross revenues were \$185m against \$186m.

The sharply higher earnings reflected increased holdings in investors' Group and higher corporate profits at the pulp and paper subsidiary, Consolidated Bathurst.

U.S. QUARTERLIES

CAMPBELL SOUP

CANADIAN SUPERIOR OIL

INTERNATIONAL CONTROLS

NATIONAL STANDARD

PENN DIXIE INDUSTRIES

ROTHMANS CANADA

SEA CONTAINERS

REQUIREMENTS

WEATHER

REVENUE

NET PROFITS

NET PER SHARE

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## STEEL INDUSTRY

## Cost increases and trigger prices

BY STEWART FLEMING IN NEW YORK

AS THE third quarter results of the major U.S. steel companies came chattering over the ticker-tapes last month, it would have been hard to resist the impression that the industry was experiencing a boom.

Compared with the third quarter of 1977, profits at U.S. Steel, the industry leader with almost one quarter of the market, more than doubled to \$59m compared with a net of \$29m. Republic Steel's earnings tripled to \$30.6m. National Steel's earnings also tripled, and Armco's increased by 80 per cent to \$10m.

The impression of boom conditions is, of course, misleading, and the clue, in part, was provided by Bethlehem Steel, which reported a \$64.7m net profit for the third quarter compared with a loss of \$1.7m in the third quarter of 1977. In general, it was not just the quarter but most of the year that constituted a period of less depressed period for the industry.

High costs, inadequate pricing, the closure of inefficient and antiquated plants, and a jump in the share of the market secured by foreign producers all combined to erode profits of the domestic steelmakers.

This year, it is true, things have been different, at least to some extent. Capacity utilisation in the industry, buoyed up by surging demand, has been holding around the 90 per cent market compared with 75-80 per cent a year ago. However, the first quarter coal strike made a

hole in the profits of those sections of the industry with coal interests, and the hole was bigger if they were suffering the after-effects of the strike in their iron ore mines.

But the by the second quarter of the year, a profits recovery was already under way. The third quarter's figures, while generally

to which that cost erosion will continue. One reason why prices have firmed so significantly in the past year has been the impact of the Treasury's trigger price system for controlling imports. This has helped the industry to push up prices without running a serious risk that imports would grab a bigger and

is hoping that imports will bear the brunt of any sluggishness in steel demand, and that the industry's shipments will therefore rise to 100m tons, helping it to absorb cost increases.

Much will depend therefore on whether, as some are now suggesting, the trigger price system is beginning to work by eliminating the extent to which foreign exporters can undercut U.S. steel producers.

The outlook for the industry next year, therefore, remains uncertain. Few doubt that it has had its pricing freedom further eroded by what has all the appearances of a deal struck with the Administration on the latest trigger price increase. But it can hope for import relief if the trigger price system, for whatever reason, now begins to slow down import growth, especially from Western Europe. The Japanese exporters appear to have been voluntarily exercising restraint, with their exports to the U.S. virtually stagnant for three years now.

But as Republic Steel has pointed out, even the profits recovery that has so far been recorded looks more impressive in the size of the increases than it does on closer analysis. Thus its profit margin on earnings for the first nine months of 1978 was only 2.7 per cent. U.S. Steel the figure was a miserly 1.8 per cent, and its return on equity well below the average for manufacturing industry. In the long run, the problems could also stymie or clip back the industry's efforts to improve its efficiency, expected for 1978. Mr. David Roderick, president of U.S. Steel, look almost as daunting as ever.

The latest batch of quarterly results from the industry shows a substantial rise in earnings, but this must be seen against a dismal performance last year. Moreover, the help given by the Carter Administration must now be balanced by its concern to combat inflation.

maintaining the profit levels secured in the second quarter. Now, however, with the industry more profitable, the Carter Administration's priorities in the steel industry are shifting. Thus, when earlier in the month the administration announced a 7 per cent rise in the trigger price to take effect at the beginning of 1979, at the same time it announced that the major steel producers had agreed to back Phase Two of the inflation policy. This will probably limit those companies to a 7.5 per cent price increase next year.

The first portion of that increase, perhaps a 4 per cent rise to be announced next month to take effect in February, will undoubtedly help the industry. But some people are predicting that costs could rise by 10 per cent in the industry next year. If a recession comes and demand slackens, domestic shipments could also stagnate or slip back to the 1977 level. The industry expected for 1978. Mr. David Roderick, president of U.S. Steel, look almost as daunting as ever.

## Improvement at Tenneco

BY JOHN LLOYD

HOUSTON, Nov. 16.

TENNECO EXPECTS "satisfactory improvement" over last year's record earnings of \$4.38 a share, Mr. James L. Ketselsen, the chairman, told analysts.

Revenues this year will be in excess of \$800 for the first time, and "closer to \$900" for the year.

Capital expenditures for 1979 will be \$1.15bn, compared with \$950m for 1978.

Overall production of oil should average 33,000 barrels a day this year, compared with 77,000 last year, and the company expects production to be "considerably greater" in 1979.

The Heather Field in the British North Sea will average 14,000 barrels a day through the end of the year, 9,800 barrels a day in 1979 and will peak at 14,200 barrels a day in 1981.

Tenneco's South Marsh Island 61-C platform now produces 17m cubic feet of gas daily and production is expected to rise to 220 cubic feet of gas a day in 1979.

The Walker Manufacturing subsidiary plans to open company-owned retail muffler shops.

Ketselsen is leaving for Washington to confer with Energy Secretary Mr. James Schlesinger. He hopes that a discussion of possible U.S. purchase of Mexican natural gas will be among the priority items discussed.

Reuter

Caterpillar suit filed

PEORIA, Nov. 16.

CATERPILLAR TRACTOR has filed a suit in U.S. District Court in Chicago alleging that earthmover vehicle tyres recently introduced by Goodyear Tires and Rubber infringe U.S. patents held by Caterpillar.

Agencies

## EUROBONDS

BY FRANCIS GHILES

The dollar sector more active

THE DOLLAR sector of the bond market had a very good day yesterday, with prices moving up between 1 and 1 1/2 points. Trading was described by dealers as hectic, especially in the late afternoon. The strong performance of the dollar explains this rise, and it would appear that most trading was professional. There were signs of investor interest.

Prices in the Deutsche Mark sector picked up yesterday by about 1/4 of a point in good two-way trading. This movement came in the wake of a U.S. District Court decision in the DM 150m bond for Finland was priced at par with conditions otherwise unchanged by the lead manager Dresdner Bank; it was being quoted in early trading at a discount of 11 per cent, equivalent to a yield of 11 per cent.

The first Deutsche Mark tranche should amount to DM 3bn (\$1.37bn), consisting of some DM 2bn in open-market credits and some DM 1bn in a form similar to U.S. certificates of deposit. Herr Christiansen, managing director of Deutsche Bank, said yesterday that he foresees the first tranche of the proposed U.S. foreign currency bonds, expected to total \$10bn, coming soon.

The biggest-ever Deutsche Mark-denominated convertible is expected today for the Japanese electronics company Sharp.

AP-DJ adds from Frankfurt: F. Wilhelm Christians, management Board speaker for Deutsche Bank, said yesterday that he foresees the first tranche of the proposed U.S. foreign currency bonds, expected to total \$10bn, coming soon.

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## FT INTERNATIONAL BOND SERVICE

The list shows the 300 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published to the second Monday of each month.

Closing prices on November 16

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## Gadsden to buy ACI can-making interest

BY ANTHONY ROWLEY IN HONG KONG

supervision" over their banks. Ironically the New York Federal Reserve is currently probing the effectiveness of Hong Kong's own banking supervision before allowing Hongkong and Shanghai to make a proposition to take over Marine Midland Banks, and secondly there must be some reciprocity towards Hong Kong Banks. Banks applying to open in Hong Kong must also be of a "substantial size and have adequate assets, net of U.S.\$300 or the equivalent.

So, what appears to be a banking stampede to Hong Kong at present should be seen more as a banking metamorphosis, albeit a gradual process, of lending on one major infrastructure project here, as well as prospective lending to China will continue to attract some new entrants.

Philip Haddon-Cave, Secretary, Mr. Haddon-Cave has made it clear that he does not want to precipitate a rush of foreign banks to the Colony. "We are not actively seeking to encourage foreign banks to come to Hong Kong, but simply to allow the more reputable of those who have come, and are coming, to operate as full branches rather than as financial agents," he says.

His decision to impose a 17 per cent tax on offshore interest profits earlier this year should help temper any banking boom.

There is already strong evidence that the bulk of the offshore lending from the Colony significantly.

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JOHANNESBURG, Nov. 18.

mitted under local banking legislation. Nedbank's present ratio is a conservative-looking 1:1.

A attributable income last year rose from £31.8m to £35.7m (£42.2m) and the dividend was raised from 18 cents to 21 cents.

Despite the general drift in the stock market since the preliminary figures, the shares have held up, and at 290 cents yielded 7.2 per cent.

Though the board makes no forecast for the current year, it is expected that the proposed dividend will depend on the extent of stimulus to the economy, where Mr. Muller said (last night). "There is evidence that the recovery is speeding."

### Group Results for the nine months to 30th September 1978

Consolidated financial results	first nine months 1978 £000	first nine months 1977 £000	1976 £000
Sales	£414,294	£351,348	£472,635
Profit on trading	36,305	20,971	33,121
Amortisation, depreciation, depletion and amounts written off	9,602	5,564	8,411
Operating profit before taxation	26,703	15,407	24,710
Taxation on operating profit:			
Current	10,689	2,421	3,632
Deferred	4,673	4,894	8,479
	15,362	7,315	12,111
Operating profit after taxation	11,341	8,092	12,599
Foreign exchange fluctuations—loss	6,103	3,444	5,615
Less: Tax effects	903	1,355	1,492
	5,200	2,089	4,123
Profit after taxation and foreign exchange fluctuations	6,141	6,003	8,476
Convertible Redeemable Preferred Shares dividend	786	794	1,059
Advance Corporation Tax written off	387		
	1,173	794	1,059
Earnings attributable to Ordinary Shareholders	£4,968	£5,209	£7,417
Cash flow from operations	£20,929	£16,931	£26,741
Earnings per Ordinary Share (before foreign exchange fluctuations)			
Basic	24.4p	17.6p	27.8p
Diluted	22.9p	16.4p	25.5p

Consolidated statement of source and application of funds	first nine months 1978 £000	first nine months 1977 £000	Notes to Group Results
	1978 £000	1977 £000	
<b>Source of funds</b>			
<b>From operations:</b>			
Operating profit after taxation	11,341	8,092	1. Group operating profits are largely in US and Canadian dollars.
Amortisation, depreciation, depletion and amounts written off	9,602	5,564	2. The loss on foreign exchange fluctuation at £5,204,000 during the nine months to 30th September 1978 relates almost entirely to long-term loans of individual companies repayable over the years to 1993, and is due to the fall in values of the Canadian dollar against the £ sterling and the US dollar against the Swiss franc since the beginning of the year.
Deferred taxation on trading profits	4,673	4,394	
Indonesian debt service equalisation (Note 4)	(6,238)	(1,806)	
Loss on sale of fixed assets	1,551	187	
<b>Cash flow from operations</b>	<b>20,929</b>	<b>16,431</b>	3. Translation and conversion exchange rates used by the Group are: £1 equals US\$ 30.978 to 9/77, 31/12/77, 1/1/78, 1/4/78, 1/7/78, 1/10/78, 1/1/79, 1/4/79, 1/7/79, 1/10/79, 1/1/80, 1/4/80, 1/7/80, 1/10/80, 1/1/81, 1/4/81, 1/7/81, 1/10/81, 1/1/82, 1/4/82, 1/7/82, 1/10/82, 1/1/83, 1/4/83, 1/7/83, 1/10/83, 1/1/84, 1/4/84, 1/7/84, 1/10/84, 1/1/85, 1/4/85, 1/7/85, 1/10/85, 1/1/86, 1/4/86, 1/7/86, 1/10/86, 1/1/87, 1/4/87, 1/7/87, 1/10/87, 1/1/88, 1/4/88, 1/7/88, 1/10/88, 1/1/89, 1/4/89, 1/7/89, 1/10/89, 1/1/90, 1/4/90, 1/7/90, 1/10/90, 1/1/91, 1/4/91, 1/7/91, 1/10/91, 1/1/92, 1/4/92, 1/7/92, 1/10/92, 1/1/93, 1/4/93, 1/7/93, 1/10/93, 1/1/94, 1/4/94, 1/7/94, 1/10/94, 1/1/95, 1/4/95, 1/7/95, 1/10/95, 1/1/96, 1/4/96, 1/7/96, 1/10/96, 1/1/97, 1/4/97, 1/7/97, 1/10/97, 1/1/98, 1/4/98, 1/7/98, 1/10/98, 1/1/99, 1/4/99, 1/7/99, 1/10/99, 1/1/00, 1/4/00, 1/7/00, 1/10/00, 1/1/01, 1/4/01, 1/7/01, 1/10/01, 1/1/02, 1/4/02, 1/7/02, 1/10/02, 1/1/03, 1/4/03, 1/7/03, 1/10/03, 1/1/04, 1/4/04, 1/7/04, 1/10/04, 1/1/05, 1/4/05, 1/7/05, 1/10/05, 1/1/06, 1/4/06, 1/7/06, 1/10/06, 1/1/07, 1/4/07, 1/7/07, 1/10/07, 1/1/08, 1/4/08, 1/7/08, 1/10/08, 1/1/09, 1/4/09, 1/7/09, 1/10/09, 1/1/10, 1/4/10, 1/7/10, 1/10/10, 1/1/11, 1/4/11, 1/7/11, 1/10/11, 1/1/12, 1/4/12, 1/7/12, 1/10/12, 1/1/13, 1/4/13, 1/7/13, 1/10/13, 1/1/14, 1/4/14, 1/7/14, 1/10/14, 1/1/15, 1/4/15, 1/7/15, 1/10/15, 1/1/16, 1/4/16, 1/7/16, 1/10/16, 1/1/17, 1/4/17, 1/7/17, 1/10/17, 1/1/18, 1/4/18, 1/7/18, 1/10/18, 1/1/19, 1/4/19, 1/7/19, 1/10/19, 1/1/20, 1/4/20, 1/7/20, 1/10/20, 1/1/21, 1/4/21, 1/7/21, 1/10/21, 1/1/22, 1/4/22, 1/7/22, 1/10/22, 1/1/23, 1/4/23, 1/7/23, 1/10/23, 1/1/24, 1/4/24, 1/7/24, 1/10/24, 1/1/25, 1/4/25, 1/7/25, 1/10/25, 1/1/26, 1/4/26, 1/7/26, 1/10/26, 1/1/27, 1/4/27, 1/7/27, 1/10/27, 1/1/28, 1/4/28, 1/7/28, 1/10/28, 1/1/29, 1/4/29, 1/7/29, 1/10/29, 1/1/30, 1/4/30, 1/7/30, 1/10/30, 1/1/31, 1/4/31, 1/7/31, 1/10/31, 1/1/32, 1/4/32, 1/7/32, 1/10/32, 1/1/33, 1/4/33, 1/7/33, 1/10/33, 1/1/34, 1/4/34, 1/7/34, 1/10/34, 1/1/35, 1/4/35, 1/7/35, 1/10/35, 1/1/36, 1/4/36, 1/7/36, 1/10/36, 1/1/37, 1/4/37, 1/7/37, 1/10/37, 1/1/38, 1/4/38, 1/7/38, 1/10/38, 1/1/39, 1/4/39, 1/7/39, 1/10/39, 1/1/40, 1/4/40, 1/7/40, 1/10/40, 1/1/41, 1/4/41, 1/7/41, 1/10/41, 1/1/42, 1/4/42, 1/7/42, 1/10/42, 1/1/43, 1/4/43, 1/7/43, 1/10/43, 1/1/44, 1/4/44, 1/7/44, 1/10/44, 1/1/45, 1/4/45, 1/7/45, 1/10/45, 1/1/46, 1/4/46, 1/7/46, 1/10/46, 1/1/47, 1/4/47, 1/7/47, 1/10/47, 1/1/48, 1/4/48, 1/7/48, 1/10/48, 1/1/49, 1/4/49, 1/7/49, 1/10/49, 1/1/50, 1/4/50, 1/7/50, 1/10/50, 1/1/51, 1/4/51, 1/7/51, 1/10/51, 1/1/52, 1/4/52, 1/7/52, 1/10/52, 1/1/53, 1/4/53, 1/7/53, 1/10/53, 1/1/54, 1/4/54, 1/7/54, 1/10/54, 1/1/55, 1/4/55, 1/7/55, 1/10/55, 1/1/56, 1/4/56, 1/7/56, 1/10/56, 1/1/57, 1/4/57, 1/7/57, 1/10/57, 1/1/58, 1/4/58, 1/7/58, 1/10/58, 1/1/59, 1/4/59, 1/7/59, 1/10/59, 1/1/60, 1/4/60, 1/7/60, 1/10/60, 1/1/61, 1/4/61, 1/7/61, 1/10/61, 1/1/62, 1/4/62, 1/7/62, 1/10/62, 1/1/63, 1/4/63, 1/7/63, 1/10/63, 1/1/64, 1/4/64, 1/7/64, 1/10/64, 1/1/65, 1/4/65, 1/7/65, 1/10/65, 1/1/66, 1/4/66, 1/7/66, 1/10/66, 1/1/67, 1/4/67, 1/7/67, 1/10/67, 1/1/68, 1/4/68, 1/7/68, 1/10/68, 1/1/69, 1/4/69, 1/7/69, 1/10/69, 1/1/70, 1/4/70, 1/7/70, 1/10/70, 1/1/71, 1/4/71, 1/7/71, 1/10/71, 1/1/72, 1/4/72, 1/7/72, 1/10/72, 1/1/73, 1/4/73, 1/7/73, 1/10/73, 1/1/74, 1/4/74, 1/7/74, 1/10/74, 1/1/75, 1/4/75, 1/7/75, 1/10/75, 1/1/76, 1/4/76, 1/7/76, 1/10/76, 1/1/77, 1/4/77, 1/7/77, 1/10/77, 1/1/78, 1/4/78, 1/7/78, 1/10/78, 1/1/79, 1/4/79, 1/7/79, 1/10/79, 1/1/80, 1/4/80, 1/7/80, 1/10/80, 1/1/81, 1/4/81, 1/7/81, 1/10/81, 1/1/82, 1/4/82, 1/7/82, 1/10/82, 1/1/83,

Sales of oil (barrels per day)	202,700	172,100	1. There were substantial purchase and sale transactions in the crude oil market during the first nine months of 1978. This is the principal reason for the rise in the volume of sales of oil
Oil refined (barrels per day)	97,800	108,500	
Oil produced (barrels per day)	9,800	6,900	
Gas produced (thousands of cubic feet per day)	202,800	38,500	2. The Group's share of gas produced in Indonesia throughout the nine months is the reason for the marked increase in gas production compared with the equivalent period last year.
Gross wells drilled	30	16	
Oil and gas wells completed (in which the Group has varying interests)	16	15	



# Currency, Money and Gold Markets

## Dollar up on OECD reports

Reports from Paris by the Organisation for Economic Co-operation and Development on the world's major economies boosted the dollar in late trading yesterday. Japan and Germany are both expected to experience reduced balance of payments surpluses next year, and this, coupled with statements from President Carter and the chairman of the Federal Reserve, was very helpful to the U.S. currency. Any intervention by central banks was on a very small scale yesterday.

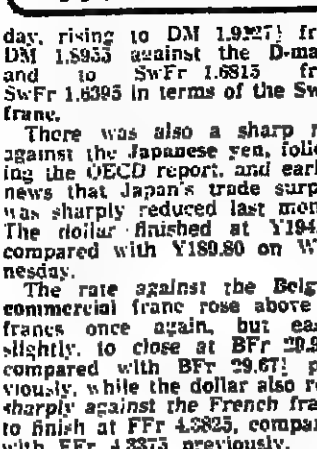
The dollar closed in London at or near its firmest level of the day, rising to DM 1.9271 from DM 1.8935 against the D-mark, and to Sfr 1.8915 from Sfr 1.8395 in terms of the Swiss franc.

There was also a sharp rise against the Japanese yen, following the OECD report, and earlier news that Japan's trade surplus had sharply reduced last month. The dollar finished at ¥194.10, compared with ¥189.80 on Wednesday.

The rate against the Belgian franc rose above 30 francs once again, but eased slightly to close at Bfr 20.97, compared with Bfr 20.97, previously, while the dollar also rose sharply against the Italian lire, to Lira 1,437.5, compared with Lira 1,437.5 previously.

The dollar's trade-weighted average, as calculated by Morgan Guaranty of New York, narrowed to 8.7 per cent from 9.1 per cent on Wednesday.

Sterling opened at \$1.9600, and touched a best level of \$1.9635 in early trading. By mid-day the pound fell to \$1.9600 once again, and declined to a low point of \$1.9590 as the dollar improved during the late afternoon. Sterling



closed at \$1.9515-1.9525, a fall of 1.60 cents on the day.

The pound's trade-weighted index, on Bank of England figures, eased to 62.4 from 62.5 after standing at 62.5 at noon and in early trading.

NEW YORK—The Swiss franc, Japanese yen, and D-mark all lost ground against the very firm dollar in early trading. Trading was fairly active, with the U.S. currency sustaining its strength over the earlier part of this week. The statement by Mr. G. William Miller, chairman of the Federal Reserve, on the growth of the money supply to 1,545.55, as an indication of Washington's strong resolve to fight inflation.

AMSTERDAM—In late trading the dollar rose to Fl 2.0640, from its fixing level of Fl 2.0580 against the guilder. Wednesday's fixing level was Fl 2.0580.

FRANKFURT—The dollar rose to DM 1.9271 against the Deutsche Mark at the fixing, from DM 1.8920 previously. The Bundesbank did not intervene at the fixing.

The U.S. currency continued to improve, rising above DM 1.9100 in the late afternoon, while the gain in terms of the Swiss franc was even more pronounced. Bundesbank intervention was suspected at some time during the day.

MILAN—The dollar remained firm against the lira at yesterday's fixing level of Lira 1,437.5. The Bank of Italy sold 510m of the 518m traded officially, but this did not affect the dollar's strength. Major European currencies were generally weaker in terms of the lira as the dollar rose.

ZURICH—The dollar remained firm during the morning without any sign of central bank support. Switzerland's trade surplus in October fell to Sfr 1.54m from Sfr 12.3m in September. The U.S. currency rose to Sfr 1.8945 by mid-morning, from an early rate of Sfr 1.8320, and continued to rise to Sfr 1.8975 in the afternoon.

TOKYO—News of the fall in Japan's trade surplus in October came too late to affect trading, but the dollar improved to ¥194.10 against the yen at the close, from ¥190.00 on Wednesday. The U.S. currency opened at ¥191.50, and touched a high point of ¥192.40 during the day, the firmest level since mid-September. The threat of central bank intervention was put forward as the main factor supporting the dollar. Spot volume totaled \$515m.

THE POUND SPOT		FORWARD AGAINST £	
No. 10	Day's Spread	Close	One month
U.S. \$	1.9515-1.9525	1.9515-1.9525	1.9515-1.9525
Canada \$	1.2920-1.2930	1.2920-1.2930	1.2920-1.2930
Gold	4.91-4.92	4.91-4.92	4.91-4.92
Belgian F	20.97-20.98	20.97-20.98	20.97-20.98
DM	1.9271-1.9281	1.9271-1.9281	1.9271-1.9281
D-Mark	1.9271-1.9281	1.9271-1.9281	1.9271-1.9281
Fr	20.97-20.98	20.97-20.98	20.97-20.98
Yen	194.10-194.20	194.10-194.20	194.10-194.20
Sfr	1.8915-1.8925	1.8915-1.8925	1.8915-1.8925
Italian L	1,437.5-1,438.5	1,437.5-1,438.5	1,437.5-1,438.5
Yen	194.10-194.20	194.10-194.20	194.10-194.20
Sfr	1.8915-1.8925	1.8915-1.8925	1.8915-1.8925
Italian L	1,437.5-1,438.5	1,437.5-1,438.5	1,437.5-1,438.5

THE DOLLAR SPOT		FORWARD AGAINST \$	
No. 10	Day's Spread	Close	One month
U.S. \$	1.9515-1.9525	1.9515-1.9525	1.9515-1.9525
Canada \$	1.2920-1.2930	1.2920-1.2930	1.2920-1.2930
Gold	4.91-4.92	4.91-4.92	4.91-4.92
Belgian F	20.97-20.98	20.97-20.98	20.97-20.98
DM	1.9271-1.9281	1.9271-1.9281	1.9271-1.9281
D-Mark	1.9271-1.9281	1.9271-1.9281	1.9271-1.9281
Fr	20.97-20.98	20.97-20.98	20.97-20.98
Yen	194.10-194.20	194.10-194.20	194.10-194.20
Sfr	1.8915-1.8925	1.8915-1.8925	1.8915-1.8925
Italian L	1,437.5-1,438.5	1,437.5-1,438.5	1,437.5-1,438.5
Yen	194.10-194.20	194.10-194.20	194.10-194.20
Sfr	1.8915-1.8925	1.8915-1.8925	1.8915-1.8925
Italian L	1,437.5-1,438.5	1,437.5-1,438.5	1,437.5-1,438.5

CURRENCY RATES		CURRENCY MOVEMENTS	
November 16	October 16	November 16	October 16
U.S. dollar	1.9515-1.9525	U.S. dollar	1.9515-1.9525
Canada dollar	1.2920-1.2930	Canada dollar	1.2920-1.2930
Gold	4.91-4.92	Gold	4.91-4.92
Belgian franc	20.97-20.98	Belgian franc	20.97-20.98
DM	1.9271-1.9281	DM	1.9271-1.9281
D-Mark	1.9271-1.9281	D-Mark	1.9271-1.9281
Fr	20.97-20.98	Fr	20.97-20.98
Yen	194.10-194.20	Yen	194.10-194.20
Sfr	1.8915-1.8925	Sfr	1.8915-1.8925
Italian L	1,437.5-1,438.5	Italian L	1,437.5-1,438.5
Yen	194.10-194.20	Yen	194.10-194.20
Sfr	1.8915-1.8925	Sfr	1.8915-1.8925
Italian L	1,437.5-1,438.5	Italian L	1,437.5-1,438.5

OTHER MARKETS		OTHER MARKETS	
Nov. 16	Nov. 15	Nov. 16	Nov. 15
Argentina peso	1.924-1.928	Argentina peso	1.924-1.928
Australian dollar	1.7185-1.7195	Australian dollar	1.7185-1.7195
French franc	20.97-20.98	French franc	20.97-20.98
German mark	1.9271-1.9281	German mark	1.9271-1.9281
Italian lire	1,437.5-1,438.5	Italian lire	1,437.5-1,438.5
Japanese yen	194.10-194.20	Japanese yen	194.10-194.20
Netherlands guilder	1.9271-1.9281	Netherlands guilder	1.9271-1.9281
Portuguese escudo	200-201	Portuguese escudo	200-201
Spanish peseta	166.64-166.65	Spanish peseta	166.64-166.65
Swedish krona	1.8915-1.8925	Swedish krona	1.8915-1.8925
Swiss franc	1.8915-1.8925	Swiss franc	1.8915-1.8925

EXCHANGE CROSS RATES		EXCHANGE CROSS RATES	
Nov. 16	Nov. 15	Nov. 16	Nov. 15
Pound sterling	1.9515-1.9525	Pound sterling	1.9515-1.9525
U.S. dollar	1.9515-1.9525	U.S. dollar	1.9515-1.9525
Gold	4.91-4.92	Gold	4.91-4.92
Belgian franc	20.97-20.98	Belgian franc	20.97-20.98
DM	1.9271-1.9281	DM	1.9271-1.9281
D-Mark	1.9271-1.9281	D-Mark	1.9271-1.9281
Fr	20.97-20.98	Fr	20.97-20.98
Yen	194.10-194.20	Yen	194.10-194.20
Sfr	1.8915-1.8925	Sfr	1.8915-1.8925
Italian L	1,437.5-1,438.5	Italian L	1,437.5-1,438.5
Yen	194.10-194.20	Yen	194.10-194.20
Sfr	1.8915-1.8925	Sfr	1.8915-1.8925
Italian L	1,437.5-1,438.5	Italian L	1,437.5-1,438.5

EURO-CURRENCY INTEREST RATES		EURO-CURRENCY INTEREST RATES	
Nov. 16	Nov. 15	Nov. 16	Nov. 15
Three-month	11.12-11.13	Three-month	11.12-11.13
Six-month	11.12-11.13	Six-month	11.12-11.13
One-year	11.12-11.13	One-year	11.12-11.13
Two-year	11.12-11.13	Two-year	11.12-11.13
Three-year	11.12-11.13	Three-year	11.12-11.13
Four-year	11.12-11.13	Four-year	11.12-11.13
Five-year	11.12-11.13	Five-year	11.12-11.13
Six-year	11.12-11.13	Six-year	11.12-11.13
Seven-year	11.12-11.13	Seven-year	11.12-11.13
Eight-year	11.12-11.13	Eight-year	11.12-11.13
Nine-year	11.12-11.13	Nine-year	11.12-11.13
Ten-year	11.12-11.13	Ten-year	11.12-11.13

## U.S. rates mixed

Interest rates were generally mixed yesterday. However, Treasury bills up from 8.02 per cent late on Wednesday to 8.03 per cent, 26-week bills eased however to 8.07 per cent from 8.08 per cent. One-year bills were quoted at 8.97 per cent from 9.02 per cent.

Opinion varies in the market, but it would appear that a slight return in demand for paper may well reflect an improvement in sentiment over the recent measures announced by President Carter to support the dollar. Certificates of deposit were quoted at 10.1 per cent for one-month, 10.35 per cent for two-month and 10.75 per cent for three-month.

FRANKFURT—Where changed, interest market rates were easier. The three-month rate was quoted at 8.81 per cent, while the one-month rate was unchanged at 8.91 per cent.

## UK MONEY MARKET

### Small assistance

Bank of England Minimum Lending Rate 12 1/2 per cent (since November 9, 1978).

Discount houses found themselves with a slight surplus of funds in yesterday's money market and the Bank of England sold a small amount of Treasury bills at direct to the houses as a result. Most houses appeared to be quite comfortable after the official intervention with secured loans fetching between 11 per cent and 12 per cent for most of the day. However, not everyone was so fortunate and in the inter-bank market closing balances were commanding up to 14 per cent.

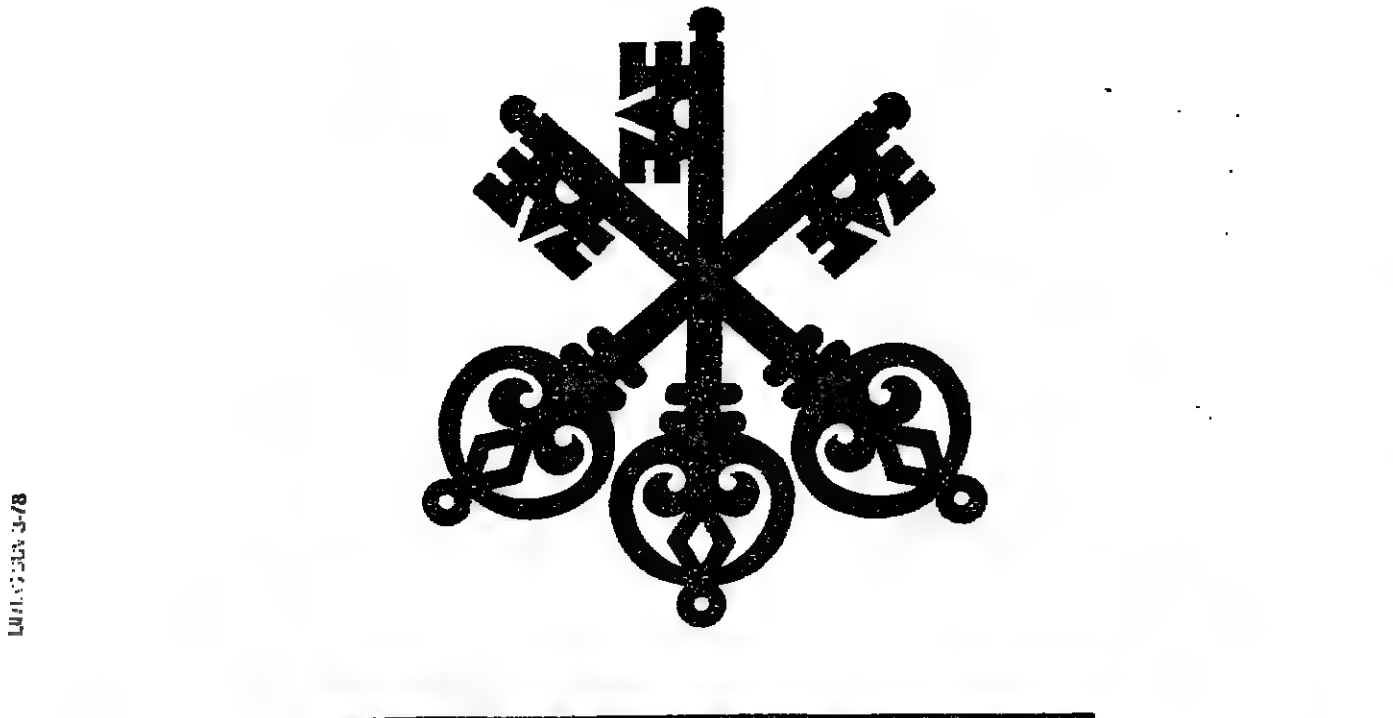
Overnight money rates opened at 11-12 per cent and eased to 11-11 1/2 per cent. Trading for most of the day took place between 11 per cent and 11 1/2 per cent before rising towards the close.

Banks brought forward balances a little above target and

LONDON MONEY RATES		LONDON MONEY RATES	
Nov. 16	Nov. 15	Nov. 16	Nov. 15
Three-month	11.12-11.13	Three-month	11.12-11.13
Six-month	11.12-11.13	Six-month	11.12-11.13
One-year	11.12-11.13	One-year	11.12-11.13
Two-year	11.12-11.13	Two-year	11.12-11.13
Three-year	11.12-11.13	Three-year	11.12-11.13
Four-year	11.12-11.13	Four-year	11.12-11.13
Five-year	11.12-11.13	Five-year	11.12-11.13
Six-year	11.12-11.13	Six-year	11.12-11.13
Seven-year	11.12-11.13	Seven-year	11.12-11.13
Eight-year	11.12-11.13	Eight-year	11.12-11.13
Nine-year	11.12-11.13	Nine-year	11.12-11.13
Ten-year	11.12-11.13	Ten-year	11.12-11.13

# Underwriting:

## A word with the key Swiss bank could open the way for you.



Underwriting. Say the word to the Swiss Bank Corporation. You could view the subject in a new light. Because the Swiss Bank Corporation is the key name in Swiss banking. All over the world. The speed and efficiency of underwriting handled by us are the result of many years experience. Our expertise and placing power are world-wide in this field. And our reliability and stability are all that you'd expect of one of the biggest Swiss banks. Talk to us about underwriting. Or about financing, transfers, or foreign exchange. You'll see why the Swiss Bank Corporation is a name to be reckoned with. A name that could open the way for you...

**Swiss Bank Corporation**  
Schweizerischer Bankverein  
Société de Banque Suisse

Total assets tend 1977: Sfr 55,710 million. Customers' deposits: Sfr 30,571 million. Capital and reserves: Sfr 3,228 million. Sfr 1,000 to customers: Sfr 20,155 million. 1st profit: Sfr 237 million. 1st dividend: Sfr 11,500. General Management in CH-002 Basel. Assets: 1st profit: Sfr 237 million. 1st dividend: Sfr 11,500. General Management in CH-002 Basel. Assets: 1st profit: Sfr 237 million. 1st dividend: Sfr 11,500. General Management in CH-002 Basel.

## APPOINTMENTS

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The President,  
Oceanic Financial Services Ltd.,  
Princes House,  
95 Gresham Street,  
London EC2V 7NA

## COMPANY NOTICES

**COMPANIA DE ELECTRICIDAD DE LA PROVINCIA DE BUENOS AIRES, LIMITED**  
In the Members' Voluntary Liquidation  
Registered Office: 5, St. Bride Street, London, EC4A 3DA.  
Registered in England No. 117113.

IN THE MATTER OF the Companies Act 1948 and in the matter of the Companies Act 1948 of the Province of Buenos Aires, Limited (in Members' Voluntary Liquidation).

NOTICE IS HEREBY GIVEN pursuant to Section 283 of the Companies Act 1948 that a General Meeting of the members of the above named company will be held at Hotel Voss, Place de la Gare, Luxembourg, Grand-Duché de Luxembourg, on Tuesday, 13th December 1978 at 11.15 a.m. for the purpose of receiving in account of the Liquidators' affairs and dealings and of the conduct of the winding up to date.

F. N. HOOGWERF  
K. U. SANNE  
Joint Liquidators

43, Rue Goethe  
Luxembourg,  
Grand-Duché de Luxembourg,  
17th November, 1978

NOTES

1. A Member entitled to attend and vote at the above-mentioned meeting is entitled to appoint one or more proxies to attend and, upon a poll, vote instead of him. A proxy need not also be a member.
2. Forms of proxy for use at the meeting must be deposited with Binder Direct, 43, Rue Goethe, Luxembourg, Grand-Duché de Luxembourg, not later than 4 o'clock in the afternoon of 11th December 1978.
3. Holders of Share Warrants to bearer will be admitted to the Meeting on producing a Certificate of Deposit incorporating a term of proxy may be obtained at the offices of Binder Hamilton & Co. 5, St. Bride Street, London EC4A 3DA, and Binder Direct, 43, Rue Goethe, Luxembourg, Grand-Duché de Luxembourg, or any of the above-mentioned Banks. Luxembourg during business hours on any day on which the company is open for business.

A full complete Certificate of Deposit must be produced by the holder of Share Warrants to bearer. Shareholders in possession of a Certificate of Deposit incorporating a term of proxy may be obtained at the offices of Binder Hamilton & Co. 5, St. Bride Street, London EC4A 3DA, and Binder Direct, 43, Rue Goethe, Luxembourg, Grand-Duché de Luxembourg, or any of the above-mentioned Banks. Luxembourg during business hours on any day on which the company is open for business.

Authorized Signatories: F. N. HOOGWERF, K. U. SANNE, Joint Liquidators.

GRAND-DUCHÉ DE LUXEMBOURG  
Société Générale de Banque  
105, Grand rue Luxembourg  
Société Générale de Banque  
105, Grand rue Luxembourg

A full complete Certificate of Deposit must be produced by the holder of Share Warrants to bearer. Shareholders in possession of a Certificate of Deposit incorporating a term of proxy may be obtained at the offices of Binder Hamilton & Co. 5, St. Bride Street, London EC4A 3DA, and Binder Direct, 43, Rue Goethe, Luxembourg, Grand-Duché de Luxembourg, or any of the above-mentioned Banks. Luxembourg during business hours on any day on which the company is open for business.

**THE RIO TINTO-ZINC CORPORATION LIMITED**  
NOTICE

To holders of Warrants to Bearer

ORDINARY SHARES: EACH SHARE OF £1 EACH

NOTICE IS HEREBY GIVEN that the dividend of 3.50 pence per share will be paid on the 2nd January 1979 in respect of the year ending 31st December 1978.

Payment of this dividend will be made after presentation of Coupon No. 36 at any of the undermentioned offices of payment.

OFFICES OF PAYMENT

The Rio Tinto-Zinc Corporation Limited,  
Registered Office:  
6, St. James's Square,  
London SW1Y 4LD.  
Banque Paribas S.A.,  
100 Boulevard de la Woluwe,  
1200 Brussels, Belgium.  
Banque Internationale à Luxembourg  
S.A.,  
2 Boulevard Royal,  
Luxembourg.  
United Bank of Switzerland,  
Eidgenössische Bank,  
Bahnhofstrasse 45,  
CH-8001 Zurich, Switzerland.

Under the Imposition tax system in force in the United Kingdom these dividends will be payable without deduction of United Kingdom tax and for shareholders resident in the United Kingdom, will carry a tax credit calculated by reference to the basic rate of income tax available at the date of payment which shall be deemed to be the basic rate of income tax for the year in which the dividend is paid.

Coupons, which must be listed on special forms, which can be obtained on or after Monday, 27th November 1978, at any of the above offices, may be deposited on or after Monday, 4th December 1978. Coupons presented for payment in the United Kingdom must be left FIVE CLEAR DAYS for examination.

Shareholders should note that under the Companies' Articles of Association dividends are payable to the registered holder of the shares at the time the dividends are paid. Dividends not claimed within 12 years from the 20th September 1978, will be forfeited.

By Order of the Board,  
D. A. STRETFIELD, Secretary.

6, St. James's Square,  
London SW1Y 4LD.  
17th November, 1978.

**PERSONNEL MANAGER**  
c. £9,000 plus benefits

This leading overseas investment bank requires the establishment of a personnel function. Your good academic background coupled with personnel experience in Merchant Investment Banking or Broking, will allow you to contribute to the development of both English and overseas staff in a challenging environment.

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Lloyd's Avenue House,  
6, Lloyd's Avenue, London, EC2,  
Telephone: 01-481 8111

**SKIERS WANTED**—Full and part time instructors wanted for Scotland. Tel. 01-940 7782, Peter Kite.

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**APPOINTMENTS WANTED**

**MANAGING DIRECTOR**  
(mid-thirties)

Law and Economic Studies in Europe: qualified in negotiations, international contracts, co-ordination of international relationships and joint ventures especially with Mid-East partners; fluently German English, French; is looking for a Frankfurt-M.-based top position.

Write Box F 1061, Financial Times, 10, Cannon Street, EC4A 4BY.

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Local authority and finance houses seven days' notice, others seven days' fixed. — Longer-term local authority mortgage rates normally three years 12-12 1/2 per cent; four years 12-12 1/2 per cent; five years 12-12 1/2 per cent. — Bank bill rates in table also begin rates for prime paper. — Selling rates for one-month Treasury bills 11 1/2-12 1/2 per cent; four-month Treasury bills 11 1/2-12 1/2 per cent; six-month Treasury bills 11 1/2-12 1/2 per cent; one-year Treasury bills 11 1/2-12 1/2 per cent; two-year Treasury bills 11 1/2-12 1/2 per cent; three-year Treasury bills 11 1/2-12 1/2 per cent; four-year Treasury bills 11 1/2-12 1/2 per cent; five-year Treasury bills 11 1/2-12 1/2 per cent; six-year Treasury bills 11 1/2-12 1/2 per cent; seven-year Treasury bills 11 1/2-12 1/2 per cent; eight-year Treasury bills 11 1/2-12 1/2 per cent; nine-year Treasury bills 11 1/2-12 1/2 per cent; ten-year Treasury bills 11 1/2-12 1/2 per cent. — Finance House Base Rates (published by the Finance House Association) 12 per cent. — Clearing Bank Base Rates for lending 12 1/2 per cent. — Bills: Average tender rate of discount 11 1/2 per cent.



# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## • MATERIALS

### New look for paper

SUCCESS IN the treatment of titanium dioxide, among other polypropylene fibre to make it suitable for papermaking. The Shell group of companies has developed a new process for making paper from polypropylene fibre. The process involves drawing on the novel properties of polypropylene fibre to make it suitable for papermaking. The process involves drawing on the novel properties of polypropylene fibre to make it suitable for papermaking.

Cardi is the name chosen by the company for the new family of fibres on which a great deal of the development work was carried out in the Netherlands. The materials are described as branched polypropylene fibres on the surfaces of which various mineral additives have been partially embedded. Since the fibre itself is tough and highly resistant to water, dyeing is a notable achievement.

Surface modifications thus make a fibre wettable and easily dispersed. The density of which can be varied to give a stable dispersion in water. Also, depending on the additive chosen, the fibre will exhibit corresponding properties to give an end-product with both thermoplastic and mineral characteristics. Additives used include clays, chalks, barium sulphate and

## • QUALITY CONTROL

### Tests wafers with no damage

EXPERIMENTAL laser-scanning methods to detect microscopic defects in silicon wafers before they are used in fabricating intricate computer circuits is of importance, because even one such defect can cause the failure of a complete circuit containing thousands of transistors.

Developed by two IBM scientists, the methods take a minute or less per wafer and can spot imperfections as small as 1 micron. Because the approach is non-destructive, it can be used to examine silicon wafers for defects before devices are fabricated on them. It also offers the possibility of examining wafers at several stages in the circuit-manufacturing process in order to determine which steps need adjusting to improve the process yield.

When the beam passes over a defect, however, some of the excited electrons recombine and the surface voltage drops. These voltage changes are registered on the screen of a cathode ray tube, forming pictures that can be interpreted as representing various defects such as scratches, cracks, dislocations, precipitates and other imperfections.

Capability of this laser-scanning method is in sharp contrast with that of current defect-detection procedures, which render the wafer unusable. With those procedures, only a few wafers from a batch are usually tested, so that the operator must simply assume that they are representative of the entire batch. Moreover, a batch of wafers can be sampled only before the circuit-fabrication process; there is no easy way to examine individual steps in the process.

## • COMPUTERS

### Tight check on weight of tea packs

COMPUTERISED weight control equipment to help improve pack weight standards and meet the demands of the EEC's forthcoming average weight legislation, has been bought by R. Twining & Co. Kins Applied Technology of Morden, Surrey, is supplying its K10000 prepack weight controller for installation at the tea company's Andover plant. K10000, apart from helping meet the requirements of the proposed EEC legislation, will provide detailed operational data on machine and product.

The small central computer with disc storage and two printers sited in the quality control laboratory will be linked to 11 weighing stations—each with an operator panel and electronic balance or continuous checkweigher—located in the plant. Weight data from the balances and checkweighers will be processed by the computer and the operator instructed to make any weight adjustments necessary to ensure that legal requirements are met with a minimum of over-pack.

## Terminals to recognise more words

EMI THRESHOLD has increased its range of Voice Data Entry devices with prices starting at £5,500 for a 32-word vocabulary machine.

All models are based on the Threshold 500 processor which contains new recognition software using dynamic programming and other hardware and software developments to give improved sound recognition accuracy.

The range is expanded to include the Threshold 800, a complete, flexible terminal which can be programmed to accept and display from 84 up to a maximum of 500 words or phrases and translate them into an output of customised characters or strings of characters in ASCII code. This unit is designed to act as a plug-in replacement for any teleprinter-compatible terminal and can use either a Threshold

large character display or a VDU. Software changes in the host computer are unnecessary. Threshold 5400 is a four-station stand-alone or satellite system complete with disc, printer and controlling micro-computer. The £42,000 price tag includes some applications software for standard functions such as management information reports, etc. EMI Threshold, Birch Road, Hayes, Middlesex, 01-573 3588.

## • COMPONENTS

### Universal filters

INDUSTRIAL filter elements for purifying liquids and compressed air are being manufactured in nine standard sizes and 11 interchangeable fineness grades by Ultrafilter GmbH, Düsseldorf. Six grades have permanent,

regenerable sintered metal elements (bronze or stainless steel) for filtering relatively coarse particles from air, steam or liquids; and five are high efficiency grades with disposable, two-stage or three-stage elements, for total removal of oil, water and dirt from air and gases, for dust removal, and for 100 per cent bacteria removal.

Pore sizes of the sintered elements range from 100 microns down to 1 micron, while the disposable elements all have a nominal pore-size of 0.01 micron, with efficiencies as high as 0.01 ppm for oil removal or 0.005 ppm for odour removal. The sterile grade, for bacteria removal, can be steam-sterilised up to 100 times.

Each grade is made to identical dimensions in the nine sizes, permitting complete interchangeability within filter housings. Two standard connection options are available: screw-in and push-fit, each with silicone-rubber O-ring seal. Housings can be supplied with the elements; alternatively, the company offers an engineering consultancy service whereby elements can be manufactured with connections and adaptors to suit virtually any existing type of housing.

Ultrafilter, 33, Sandy Way, Tamworth B77 4DS. 0827-58234.

## • IN THE OFFICE

### Counts notes quickly

A HIGH SPEED heavy duty document handling machine is now available in the UK from International Money Processing Machines, International House, Windmill Road, Sunbury-on-Thames, Middx TW16 7HR (083-27 85666).

From the American Brandi range, it is called the Countess 825, and is said to be ideal for handling currency notes, coupons, vouchers, forms, pay slips, punched cards and cheques. It counts currency at up to 1,200 notes per minute, and endorses and cancels cheques, stamps and coupons at up to 1,000 per minute. Applications are suggested in accounting, wage departments, busy retail stores, supermarkets and cash-and-carrys, banks, local authorities and similar organisations which handle large volumes of "value" paperwork.

## • COMMUNICATIONS

### Two minute facsimile

ACCORDING TO 3M, the fact 533 mm, is only 117 mm high that there are still only about 7,000 business office facsimile machines installed in the UK is a reflection of both the price of such equipment and the more significant, the cost of using it. The paper is drawn in by the machine and automatically wrapped round the scanning drum, the operator having simply to select the speed, set the send/receive switch and, when a "ready" lamp comes on, press the start button.

In the send mode the unit scans the original line by line using an optical method; to receive, electrosensitive paper is employed in which a coating is burned off the surface to give the image.

Use is made of a micro-processor, one function of which is to simplify fault diagnosis in the field. The machine can as a result be set up using a fifteen position test switch in conjunction with six potentiometers. Fault correction is based on module replacement. The machine, fully approved by the Post Office, is the first complete design by 3M, previous units owing a good deal to the standard CCITT protocol.

The machine measures 368 x 457 mm and weighs 14.5 kg. It is also particularly easy to use, requiring the paper to be simply placed flat on the platen with one edge in a slot. The paper is drawn in by the machine and automatically wrapped round the scanning drum, the operator having simply to select the speed, set the send/receive switch and, when a "ready" lamp comes on, press the start button.

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## • SAFETY/SECURITY

### Loop will defeat the petty thief

MULTI-LOOP alarm equipment able to protect up to 40 items incorporates the latest advances in its compact control box and sensors.

The control has an independent power supply, audio and visual alarm, and an on/off switch. The box supplies up to eight independent loop alarms. Three types of sensor attachments are available for linking to the control box: and adhesive sensor consisting of an adhesive head with a special cleaning contact, a slip sensor consisting of a spring-loaded needle and lock contact; and a light sensor.

The alarm is easy to operate and is quick and simple to install. It allows protected items to remain protected while being examined by the potential customer. Showroom display items can be moved without fuss, or leaving other items unprotected. But when an item is forcibly removed, a continuous horn alarm and pulsating flashing

lamp is triggered off. An intermittent piercing alarm is activated if a mass theft is involved. The control box automatically resets itself after 30 seconds. Industrial Maintenance and Services is interested in appointing distributors for the alarm throughout the United Kingdom. It is a division of Computer World Trade at Excell House, Trust Industrial Estate, Wilbury Way, Hitchin, Herts, SG4 0UZ. 0462 4472.

A HIGH level of safety is assured by a tank level indicator system offered by Krohn Measurement and Control, due to complete separation of internal and external environments at the measuring point.

The unit is suitable for the majority of liquids encountered in the chemical, petrochemical, oil refining, pharmaceutical and food industries. A float with integral magnet assembly surrounds and is guided by a non-magnetic tube which contains a magnetically coupled float follower. The latter conveys the float position to a measurement drum via stainless steel cable which in turn transmits it to indication pointers by means of a gear train. The weight of the float follower is compensated by a spring system. Approved for installation in hazardous areas the BM51, being glassless, is well suited to measurement in pressurised vessels. The indicator is housed in an epoxy coated case to protect it from corrosive atmospheres. Alarms, and electrical transmission of readings can be provided. Moulton Park, Northampton NN3 1JZ (0604 498704).

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that company was taken over. At a recent London demonstration the company emphasised that it was in the facsimile business "to stay" and would be concentrating on putting across the message that facsimile machines were no longer for specialist users such as advertising agencies, newspapers and the legal profession, but could now be usefully adopted by industry in place of other communications methods.

One of its customers, Securicor, has replaced a complete telex network. For the future, 3M is understood to be close to announcing a digital machine that will reduce the A4 page transmission time to 35 seconds—at which point the running cost becomes a better proposition than using the ordinary mail service.

GEORGE CHARLISH

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November 1978

New Issue: November 17, 1978

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Repayment: on November 1, 1985 at par

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Listing: Frankfurt am Main

Offering Price: 100 %

Interest: 3 1/2 % p.a., payable semi-annually on May 1 and November 1

Repayment: on November 1, 1985 at par

Conversion Right: from February 1, 1979 into ordinary shares of Olympus Optical Co., Ltd. at a conversion price of DM 6.79 per share

Listing: Frankfurt am Main

Offering Price: 100 %

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## STOCK EXCHANGE REPORT

Equities gloomy after Treasury economic forecast  
30-share index falls 4.6 more to 471.0 Short Gilts rise

## Account Dealing Dates

\*First Declara- Last Account  
Dealings tions Dealings Day  
Oct. 13 Nov. 9 Nov. 10 Nov. 21  
Nov. 13 Nov. 23 Nov. 24 Dec. 5  
Nov. 27 Dec. 7 Dec. 19

"New deal" dealings may take place from 9.30 a.m. two business days earlier.

The Treasury's cautious view of economic prospects next year—continued expansion in activity is expected but at a slower rate—has caused a fall in the 30-share index on which it was based. The Treasury's cautious view of economic prospects next year—continued expansion in activity is expected but at a slower rate—has caused a fall in the 30-share index on which it was based.

These were added to the gloom of the day and sent the 30-share index down to 471.0, a fall of 4.6 points from 475.6. The 100-day moving average stood at 485.5.

The scene was thus set for another very slow day and, although the amount of stock coming onto the market was generally small, buyers were just not interested. It was no surprise, therefore, that the number of bargains fell to the pitiful level of 3,900 against the previous day's 4,400.

Consolidated by the FT Industrial Group, the 30-share index, the consensus was that the market was not interested. It was no surprise, therefore, that the number of bargains fell to the pitiful level of 3,900 against the previous day's 4,400.

Fresh investment funds were drawn to the market, but the current yield structure was attractive, particularly if interest rates have peaked out. Views that the authorities would probably issue a long-term bill in March, a short-term bill in April, and a 10-year bill in May, also encouraged a certain amount of buying.

The longer maturities were retained by top institutions but soon reached marginal levels and were being sold at a loss. The 10-year bill, however, was held by the latest money supply statistics.

South African Gold shares went lower on the fall in the price of gold, but the effect of this was countered to an extent by the strong performance of the 30-share index. The FT Gold Mines index lost 3.3 more to 130.3, expressed in dollar terms.

## The ex-premium index gave up 4.4

at 91.5.

Conditions remained thin in the investment currency market, but institutional demand and short covering by small professional clients left the premium with a fresh rise of 4.4 at 89.1 per cent. Yesterday's SE conversion factor was 0.7021 (0.7179).

Only 555 contracts were done in the Traded Option market, a further contraction on the previous day's total of 731 and Tuesday's 1,330, but slightly higher than last week's daily average of 428. Nearly a third of the deals yesterday were completed in Grand Metropolitan.

## Royals dip and rally

Enslaved at 343p in front of the third-quarter figures, Royals rallied on the better-than-expected profits to close unchanged on the day at 343p. General Accident had a similar day, following a further consideration of the good third-quarter performance and Phoenix rose 4 to 220p in response to a newspaper mention.

Dealing in Lloyd's broker Fortwick 410p were surprisingly suspended after hours at the company's request pending a statement; details of talks about a likely tripartite international merger were released after dealing had closed.

Quickly dull conditions prevailed in the major clearing banks and closing falls ranged to 5. Elsewhere, Australian issues moved higher on domestic and international currency influences. ANZ gained 13 to 285p and Bank of New South Wales added 10 to 340p.

German concern Deutsche rose 25 points to 1161p. In Merchant bank, Brown Shipley cheapened 5 more to 245p on further consideration of the disappointing interim report and Keyser Ullmann gave up 2 to 48p following comment on the first-half figures.

Household Military provided an isolated firm slip rising 9 to 54p ahead of today's interim results. Elsewhere in dull building, a lack of buyers and a bond offering clipped 2 from Bury at 69p and 2 from Blue Circle at 253p. RMC eased 2 to 125p and Tunnel "B" 2 to 274p.

Awaiting today's interim statement, FPA Construction shed 2 to 14p. An announcement of a 13.7m defence contract made no impact. Modern Engineers of Bristol, a recent takeover favourite, gave back 4 at 47p. ICI drifted 4 lower to 344p, but, held by the latest money supply statistics.

## Stores dull

Interest in leading Stores was at a low ebb and prices drifted lower. J. W. Spear fell 8 to 230p. Elsewhere, the picture was much the same with falls of 4 being recorded in Currys, 10p, Empire, 10p, and Raybeck, 8p.

## Walls provided an exception at

83p, up 3, after revived demand in a thin market, while Style gained 2 more at 69p in Shoes on further speculative buying.

The Electricals shares fluctuated narrowly and closed without much alteration on the day. Press comment on the half-yearly results prompted further selling of Chloride, which closed 7 off at 104p for a two-day fall of 13.

## Boots

Boots ended the day at 230p, up 3, after revived demand in a thin market, while Style gained 2 more at 69p in Shoes on further speculative buying.

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## J. W. Spear fall

The Treasury's forecast of slower economic expansion next year served to depress the miscellaneous industrial leaders further. Still overshadowed by its proposed 28.2m rights issue, Beecham

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## occasional buyer, Mountview

Estates firmed 2 to 57p.

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## 57.575 lower at 136.0 per ounce

while the Gold Mines index lost 3.3 more to 130.3—a three-day fall of 7.8 and its lowest level since the beginning of the year. The ex-premium index dropped 4.4 to 91.5.

Gold shares were marked down at the outset, reflecting the overnight weakness of the bullion price in American markets, and thereafter tended to drift on lack of interest although Continental buying steadied prices at the lower level.

## Also sustaining prices

Also sustaining prices in sterling terms was a further rise in the investment currency premium.

Heavyweights fell by up to 1 as in Harrogate, 211p, West Driefontein, 219p, and Free State Geduld, 212p, while in the lower priced issues new lows for 1978 were seen in Elsburg, 54p, at 121p, Western Areas, 6p, down at 11p and Loraine, which gave up 3 to 82p.

The weakness of the bullion price and the downturn in the equity market depressed Financials. Of the South African issues, Anglo American and De Beers were both around 3 cheaper at 230p and 345p respectively, while Gold Fields of South Africa declined 1 to 111.

Among London-registered issues further consideration of the half-yearly results left Charter another 6 lower at 125p. Gold Fields and Rio Tinto-Zinc were both a similar amount easier at 185p and 222p respectively.

Australians were boosted by the strong performance of the 30-share index. Diamond exploration issues gained ground with Northern Mining 8 up at 83p, while Hamma Gold rose 4 to 28p.

Elsewhere, Westfield Minerals soared 67 to 244p after 224p, following the latest quarterly report.

## Other Northgate group

companies to more ahead included Northgate themselves, which climbed 45 to 455p and Anglo United which put on 10 to 220p.

## FINANCIAL TIMES STOCK INDICES

	Nov. 16	Nov. 15	Nov. 14	Nov. 13	Nov. 12	Nov. 9	Nov. 8
Government Secs.	68.27	68.28	68.28	67.98	67.98	68.04	70.28
Fixed Interest	69.56	69.56	69.41	69.30	69.30	69.30	70.27
Index-Total	471.0	475.6	475.6	475.6	475.6	475.6	485.5
Gold Mines	130.3	133.6	137.8	138.1	138.5	138.7	136.1
Gold Mines (K&S)	91.5	95.8	100.2	99.7	99.1	95.5	98.7
Gold Mines (K&S)	8.08	8.78	8.59	8.71	8.75	8.78	8.56
Uncl. Int. Yld.	16.06	16.09	15.64	15.67	15.67	15.67	16.78
Ex-Pre. Index	91.5	95.8	100.2	99.7	99.1	95.5	98.7
Ex-Pre. Index	8.08	8.78	8.59	8.71	8.75	8.78	8.56
Dealing Market	5,909	4,936	4,947	4,573	4,573	4,573	4,573
Equity Turnover	74.66	73.10	55.78	75.48	75.48	75.48	75.48
Equity Turnover	14,543	14,513	12,578	14,513	14,513	14,513	14,513

10 am 472.5, 11 am 480.5, Noon 483.5, 1 pm 484.5, 2 pm 487.5, 3 pm 488.5, 4 pm 489.5, 5 pm 490.5, 6 pm 491.5, 7 pm 492.5, 8 pm 493.5, 9 pm 494.5, 10 pm 495.5, 11 pm 496.5, 12 pm 497.5, 1 pm 498.5, 2 pm 499.5, 3 pm 500.5, 4 pm 501.5, 5 pm 502.5, 6 pm 503.5, 7 pm 504.5, 8 pm 505.5, 9 pm 506.5, 10 pm 507.5, 11 pm 508.5, 12 pm 509.5, 1 pm 510.5, 2 pm 511.5, 3 pm 512.5, 4 pm 513.5, 5 pm 514.5, 6 pm 515.5, 7 pm 516.5, 8 pm 517.5, 9 pm 518.5, 10 pm 519.5, 11 pm 520.5, 12 pm 521.5, 1 pm 522.5, 2 pm 523.5, 3 pm 524.5, 4 pm 525.5, 5 pm 526.5, 6 pm 527.5, 7 pm 528.5, 8 pm 529.5, 9 pm 530.5, 10 pm 531.5, 11 pm 532.5, 12 pm 533.5, 1 pm 534.5, 2 pm 535.5, 3 pm 536.5, 4 pm 537.5, 5 pm 538.5, 6 pm 539.5, 7 pm 540.5, 8 pm 541.5, 9 pm 542.5, 10 pm 543.5, 11 pm 544.5, 12 pm 545.5, 1 pm 546.5, 2 pm 547.5, 3 pm 548.5, 4 pm 549.5, 5 pm 550.5, 6 pm 551.5, 7 pm 552.5, 8 pm 553.5, 9 pm 554.5, 10 pm 555.5, 11 pm 556.5, 12 pm 557.5, 1 pm 558.5, 2 pm 559.5, 3 pm 560.5, 4 pm 561.5, 5 pm 562.5, 6 pm 563.5, 7 pm 564.5, 8 pm 565.5, 9 pm 566.5, 10 pm 567.5, 11 pm 568.5, 12 pm 569.5, 1 pm 570.5, 2 pm 571.5, 3 pm 572.5, 4 pm 573.5, 5 pm 574.5, 6 pm 575.5, 7 pm 576.5, 8 pm 577.5, 9 pm 578.5, 10 pm 579.5, 11 pm 580.5, 12 pm 581.5, 1 pm 582.5, 2 pm 583.5, 3 pm 584.5, 4 pm 585.5, 5 pm 586.5, 6 pm 587.5, 7 pm 588.5, 8 pm 589.5, 9 pm 590.5, 10 pm 591.5, 11 pm 592.5, 12 pm 593.5, 1 pm 594.5, 2 pm 595.5, 3 pm 596.5, 4 pm 597.5, 5 pm 598.5, 6 pm 599.5, 7 pm 600.5, 8 pm 601.5, 9 pm 602.5, 10 pm 603.5, 11 pm 604.5, 12 pm 605.5, 1 pm 606.5, 2 pm 607.5, 3 pm 608.5, 4 pm 609.5, 5 pm 610.5, 6 pm 611.5, 7 pm 612.5, 8 pm 613.5, 9 pm 614.5, 10 pm 615.5, 11 pm 616.5, 12 pm 617.5, 1 pm 618.5, 2 pm 619.5, 3 pm 620.5, 4 pm 621.5, 5 pm 622.5, 6 pm 623.5, 7 pm 624.5, 8 pm 625.5, 9 pm 626.5, 10 pm 627.5, 11 pm 628.5, 12 pm 629.5, 1 pm 630.5, 2 pm 631.5, 3 pm 632.5, 4 pm 633.5, 5 pm 634.5, 6 pm 635.5, 7 pm 636.5, 8 pm 637.5, 9 pm 638.5, 10 pm 639.5, 11 pm 640.5, 12 pm 641.5, 1 pm 642.5, 2 pm 643.5, 3 pm 644.5, 4 pm 645.5, 5 pm 646.5, 6 pm 647.5, 7 pm 648.5, 8 pm 649.5, 9 pm 650.5, 10 pm 651.5, 11 pm 652.5, 12 pm 653.5, 1 pm 654.5, 2 pm 655.5, 3 pm 656.5, 4 pm 657.5, 5 pm 658.5, 6 pm 659.5, 7 pm 660.5, 8 pm 661.5, 9 pm 662.5, 10 pm 663.5, 11 pm 664.5, 12 pm 665.5, 1 pm 666.5, 2 pm 667.5, 3 pm 668.5, 4 pm 669.5, 5 pm 670.5, 6 pm 671.5, 7 pm 672.5, 8 pm 673.5, 9 pm 674.5, 10 pm 675.5, 11 pm 676.5, 12 pm 677.5, 1 pm 678.5, 2 pm 679.5, 3 pm 680.5, 4 pm 681.5, 5 pm 682.5, 6 pm 683.5, 7 pm 684.5, 8 pm 685.5, 9 pm 686.5, 10 pm 687.5, 11 pm 688.5, 12 pm 689.5, 1 pm 690.5, 2 pm 691.5, 3 pm 692.5, 4 pm 693.5, 5 pm 694.5, 6 pm 695.5, 7 pm 696.5, 8 pm 697.5, 9 pm 698.5, 10 pm 699.5, 11 pm 700.5, 12 pm 701.5, 1 pm 702.5, 2 pm 703.5, 3 pm 704.5, 4 pm 705.5, 5 pm 706.5, 6 pm 707.5, 7 pm 708.5, 8 pm 709.5, 9 pm 710.5, 10 pm 711.5, 11 pm 712.5, 12 pm 713.5, 1 pm 714.5, 2 pm 715.5, 3 pm 716.5, 4 pm 717.5, 5 pm 718.5, 6 pm 719.5, 7 pm 720.5, 8 pm 721.5, 9 pm 722.5, 10 pm 723.5, 11 pm 724.5, 12 pm 725.5, 1 pm 726.5, 2 pm 727.5, 3 pm 728.5, 4 pm 729.5, 5 pm 730.5, 6 pm 731.5, 7 pm 732.5, 8 pm 733.5, 9 pm 734.5, 10 pm 735.5, 11 pm 736.5, 12 pm 737.5, 1 pm 738.5, 2 pm 739.5, 3 pm 740.5, 4 pm 741.5, 5 pm 742.5, 6 pm 743.5, 7 pm 744.5, 8 pm 745.5, 9 pm 746.5, 10 pm 747.5, 11 pm 748.5, 12 pm 749.5, 1 pm 750.5, 2 pm 751.5, 3 pm 752.5, 4 pm 753.5, 5 pm 754.5, 6 pm 755.5, 7 pm 756.5, 8 pm 757.5, 9 pm 758.5, 10 pm 759.5, 11 pm 760.5, 12 pm 761.5, 1 pm 762.5, 2 pm 763.5, 3 pm 764.5, 4 pm 765.5, 5 pm 766.5, 6 pm 767.5, 7 pm 768.5, 8 pm 769.5, 9 pm 770.5, 10 pm 771.5, 11 pm 772.5, 12 pm 773.5, 1 pm 774.5, 2 pm 775.5, 3 pm 776.5, 4 pm 777.5, 5 pm 778.5, 6 pm 779.5, 7 pm 780.5, 8 pm 781.5, 9 pm 782.5, 10 pm 783.5, 11 pm 784.5, 12 pm 785.5, 1 pm 786.5, 2 pm 787.5, 3 pm 788.5, 4 pm 789.5, 5 pm 790.5, 6 pm 791.5, 7 pm 792.5, 8 pm 793.5, 9 pm 794.5, 10 pm 795.5, 11 pm 796.5, 12 pm 797.5, 1 pm 798.5, 2 pm 799.5, 3 pm 800.5, 4 pm 801.5, 5 pm 802.5, 6 pm 803.5, 7 pm 804.5, 8 pm 805.5, 9 pm 806.5, 10 pm 807.5, 11 pm 808.5, 12 pm 809.5, 1 pm 810.5, 2 pm 811.5, 3 pm 812.5, 4 pm 813.5, 5 pm 814.5, 6 pm 815.5, 7 pm 816.5, 8 pm 817.5, 9 pm 818.5, 10 pm 819.5, 11 pm 820.5, 12 pm 821.5, 1 pm 822.5, 2 pm 823.5, 3 pm 824.5, 4 pm 825.5, 5 pm 826.5, 6 pm 827.5, 7 pm 828.5, 8 pm 829.5, 9 pm 830.5, 10 pm 831.5, 11 pm 832.5, 12 pm 833.5, 1 pm 834.5, 2 pm 835.5, 3 pm 836.5, 4 pm 837.5, 5 pm 838.5, 6 pm 839.5, 7 pm 840.5, 8 pm 841.5, 9 pm 842.5, 10 pm 843.5, 11 pm 844.5, 12 pm 845.5, 1 pm 846.5, 2 pm 847.5, 3 pm 848.5, 4 pm 849.5, 5 pm 850.5, 6 pm 851.5, 7 pm 852.5, 8 pm 853.5, 9 pm 854.5, 10 pm 855.5, 11 pm 856.5, 12 pm 857.5, 1 pm 858.5, 2 pm 859.5, 3 pm 860.5, 4 pm 861.5, 5 pm 862.5, 6 pm 863.5, 7 pm 864.5, 8 pm 865.5, 9 pm 866.5, 10 pm 867.5, 11 pm 868.5, 12 pm 869.5, 1 pm 870.5, 2 pm 871.5, 3 pm 872.5, 4 pm 873.5, 5 pm 874.5, 6 pm 875.5, 7 pm 876.5, 8 pm 877.5, 9 pm 878.5, 10 pm 879.5, 11 pm 880.5, 12 pm 881.5, 1 pm 882.5, 2 pm 883.5, 3 pm 884.5, 4 pm 885.5, 5 pm 886.5, 6 pm 887.5, 7 pm 888.5, 8 pm 889.5, 9 pm 890.5, 10 pm 891.5, 11 pm 892.5, 12 pm 893.5, 1 pm 894.5, 2 pm 895.5, 3 pm 896.5, 4 pm 897.5, 5 pm 898.5, 6 pm 899.5, 7 pm 900.5, 8 pm 901.5, 9 pm 902.5, 10 pm 903.5, 11 pm 904.5, 12 pm 905.5, 1 pm 906.5, 2 pm 907.5, 3 pm 908.5, 4 pm 909.5, 5 pm 910.5, 6 pm 911.5, 7 pm 912.5, 8 pm 913.5, 9 pm 914.5, 10 pm 915.5, 11 pm 916.5, 12 pm 917.5, 1 pm 918.5, 2 pm 919.5, 3 pm 920.5, 4 pm 921.5, 5 pm 922.5, 6 pm 923.5, 7 pm 924.5, 8 pm 925.5, 9 pm 926.5, 10 pm 927.5, 11 pm 928.5, 12 pm 929.5, 1 pm 930.5, 2 pm 931.5, 3 pm 932.5, 4 pm 933.5, 5 pm 934.5, 6 pm 935.5, 7 pm 936.5, 8 pm 937.5, 9 pm 938.5, 10 pm 939.5, 11 pm 940.5, 12 pm 941.5, 1 pm 942.5, 2 pm 943.5, 3 pm 944.5, 4 pm 945.5, 5 pm 946.5, 6 pm 947.5, 7 pm 948.5, 8 pm 949.5, 9 pm 950.5, 10 pm 951.5, 11 pm 952.5, 12 pm 953.5, 1 pm 954.5, 2 pm 955.5, 3 pm 956.5, 4 pm 957.5, 5 pm 958.5, 6 pm 959.5, 7 pm 960.5, 8 pm 961.5, 9 pm 962.5, 10 pm 963.5, 11 pm 964.5, 12 pm 965.5, 1 pm 966.5, 2 pm 967.5, 3 pm 968.5, 4 pm 969.5, 5 pm 970.5, 6 pm 971.5, 7 pm 972.5, 8 pm 973.5, 9 pm 974.5, 10 pm 975.5, 11 pm 976.5, 12 pm 977.5, 1 pm 978.5, 2 pm 979.5, 3 pm 980.5, 4 pm 981.5, 5 pm 982.5, 6 pm 983.5, 7 pm 984.5, 8 pm 985.5, 9 pm 986.5, 10 pm 987.5, 11 pm 988.5, 12 pm 989.5, 1 pm 990.5, 2 pm 991.5, 3 pm 992.5, 4 pm 993.5, 5 pm 994.5, 6 pm 995.5, 7 pm 996.5, 8 pm 997.5, 9 pm 998.5, 10 pm 999.5, 11 pm 1000.5, 12 pm 1001.5, 1 pm 1002.5, 2 pm 1003.5, 3 pm 1004.5, 4 pm 1005.5, 5 pm 1006.5, 6 pm 1007.5, 7 pm 1008.5, 8 pm 1009.5, 9 pm 1010.5, 10 pm 1011.5, 11 pm 1012.5, 12 pm 1013.5, 1 pm 1014.5, 2 pm 1015.5, 3 pm 1016.5, 4 pm 1017.5, 5 pm 1018.5, 6 pm 1019.5, 7 pm 1020.5, 8 pm 1021.5, 9 pm 1022.5, 10 pm 1023.5, 11 pm 1024.5, 12 pm 1025.5, 1 pm 1026.5, 2 pm 1027.5, 3 pm 1028.5, 4 pm 1029.5, 5 pm 1030.5, 6 pm 1031.5, 7 pm 1032.5, 8 pm 1033.5, 9 pm 1034.5, 10 pm 1035.5, 11 pm 1036.5, 12 pm 1037.5, 1 pm 1038.5, 2 pm 1039.5, 3 pm 1040.5, 4 pm 1041.5, 5 pm 1042.5, 6 pm 1043.5, 7 pm 1044.5, 8 pm 1045.5, 9



## OFFSHORE AND OVERSEAS FUNDS

[illegible][illegible]











